1983

WORLDWIDE

Lodging INDUSTRY

HORWATH & HORWATH INTERNATIONAL

Worldwide Lodging Industry

Thirteenth Annual Report on International Hotel Operations

1983 Edition

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Foreword

by

The Rt. Hon. The Lord Hirshfield
President and Chief Executive Officer
Horwath & Horwath International

The lodging industry has experienced nearly three years of steadily eroding demand for its services. Preliminary data for 1982 indicate that it was perhaps the worst of the three years, with the number of international arrivals dropping 1.3 percent following a 1.6 percent increase in 1981. In the United States, the number of domestic person-trips dropped 6 percent from 1981, and foreign arrivals declined 9 percent following 19 consecutive years of steady increases. An increase of 3.5 percent in international tourism receipts was almost entirely the result of higher prices.

According to the World Tourism Organization, the number of international arrivals worldwide has been virtually static: about 280 million for each of the past three years (1982 figures are estimates). Thus, the decrease in demand for hotel accommodation reflects the worldwide decline in travel. The recessionary impact on employment and disposable income in certain regions has contributed to this downward trend. Economic and political difficulties have been particularly acute in Latin America, and properties catering to travelers from this region have been affected severely. Lodging facilities throughout the Southwestern U.S., for example, report sharp declines in occupancies as the result of decreased demand by Mexicans.

It is interesting to note that inexpensive destinations such as Malta, Rumania, Yugoslavia and Northern Africa have been affected most by the downturn in demand generated from Northern European countries, mainly West Germany, until now. West German demand had seemed impervious to economic problems.

Despite the bleak picture, certain trends are emerging that should have a positive effect on the lodging industry. Although unemployment is high in many developed countries, government policies are producing recoveries or increasing levels of real income for those who are employed. The trend toward short holidays, mostly generated by people in upper income brackets or those with higher disposable incomes, should continue to grow as economies recover. There is a concern at all market levels to obtain value for money. This is true at the lower end of the market, as well as the upper end where business travelers or wealthy individuals are willing to pay high prices but expect in return a top-quality product and an appropriate level of service.

Recent economic indicators, including published forecasts by the International Monetary Fund of a 1.5 percent increase in the gross national product of industrial countries together with a 1 percent increase in world trade, suggest that the recession may have bottomed out and a measure of economic recovery already has begun. Although international arrivals have not increased during the past three years, it is perhaps a sign of considerable resilience that they have not fallen. Compared with other industries such as manufacturing, the worldwide operating results of the tourism industry probably have been among the best of any industry during the last three years of the recession. With economic recovery, travel can be expected to return to a pattern of growth, and expanding holiday and business demand should rapidly transform the outlook for hoteliers worldwide. ■

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Avant-propos

L'industrie hôtelière a subi pendant près de trois ans une érosion progressive de la demande. Pour 1982, les données préliminaires font ressortir qu'elle est sans doute la pire de ces trois années, avec une chute de 1,3% des arrivées internationales succédant à une augmentation de 1,6% en 1981.

Aux Etats-Unis, le trafic intérieur des voyageurs a baissé de 6% par rapport à 1981 et les arrivées internationales ont diminué de 9%, après 19 années consécutives de hausses régulières.

L'accroissement de 3,5% des recettes du tourisme international est dû quasitotalement à la hausse des prix.

Selon l'Organisation Mondiale du Tourisme, le chiffre mondial des arrivées internationales a été, en fait, stable: il demeure autour de 280 millions pour chacune de ces trois dernières années (le niveau de 1982 est une estimation). Par conséquent, la baisse de la demande de services hôteliers reflète la baisse mondiale du nombre de voyageurs. L'impact de la récession sur l'emploi et sur les ressources disponibles dans certaines régions a contribué à accentuer cette tendance à la baisse.

Les problèmes politiques et économiques ont été particulièrement aigus en Amérique Latine, et les unités desservant les voyageurs en provenance de cette région en ont été sévèrement affectées. Les unités hôtelières du Sud-Ouest des Etats-Unis, par exemple, ont connu un recul sévère de leur taux d'occupation du fait de la baisse de la demande provenant de la clientèle mexicaine.

Il est intéressant de noter que les destinations à coûts modérés telles que Malte, la Roumanie, la Yougoslavie et l'Afrique du Nord, ont été particulièrement affectées par la baisse de la demande émanant des pays d'Europe du Nord, principalement de l'Allemagne de l'Ouest. Or, jusqu'à présent, la demande en provenance de ce pays a paru insensible aux problèmes économiques.

En dépit de cette image morose, certaines tendances

tont jour qui devraient avoir un effet positif sur l'industrie hôtelière. Malgré le haut niveau de chômage dans plusieurs pays développés, les politiques gouvernementales aboutissent à un redressement ou une augmentation du niveau réel des revenus des personnes actives.

La tendance aux vacances de courte durée, surtout générée par les personnes situées au sommet de l'échelle des salaires ou par celles ayant les plus hauts revenus disponibles, devrait s'accentuer avec la reprise économique. La préoccupation commune à tous les échelons du marché est d'obtenir la qualité correspondant au prix payé. C'est aussi vrai à l'échelon inférieur qu'à l'échelon supérieur du marché où la clientèle d'affaires et la clientèle individuelle aisée sont prêtes à payer un prix élevé mais exigent en retour des produits de qualité supérieure et un niveau de services approprié.

Les indicateurs économiques récents, y compris les prévisions publiées par le Fonds Monétaire International portant sur un accroissement de 1,5% du produit national brut des pays industrialisés et de 1% des échanges commerciaux mondiaux, font penser que le fond de la récession a peut-être été atteint et que la relance économique est déjà amorcée.

Quoique les arrivées internationales n'aient pas augmenté ces trois dernières années, le fait qu'elles n'aient pas chuté est peut-être un signe de dynamisme considérable. Comparés aux autres secteurs industriels tels que celui de la fabrication, les résultats d'exploitation de l'industrie touristique mondiale ont probablement été les meilleurs de toutes les industries au cours des trois dernières années de récession. Avec la relance économique, nous pouvons espérer que les voyages retrouveront une tendance à la croissance et qu'une augmentation de la demande de la clientèle de vacances ou d'affaires devrait transformer les perspectives des hôteliers à travers le monde. ■

HORWATH & HORWATH INTERNATIONAL

Vorwort

Das Beherbungsgewerbe hat fast drei Jahre lang eine ständige Abschwächung der Nachfrage nach seinen Leistungen erfahren. Vorläufige Zahlen für 1982 zeigen, daß es vielleicht das schlechteste der drei Jahre war, wobei dem Anstieg der Zahl der internationalen Ankünfte um 1,6% in 1981 ein Rückgang um 1,3% in 1982 folgte. In den USA sank die Zahl der Inlandsreisen in 1982 um 6% und die Zahl der Ankünfte aus dem Ausland verringerte sich um 9% nach 19 aufeinanderfolgenden Jahren mit ständiger Zunahme. Der Anstieg des internationalen Tourismus-Umsatzes um 3,5% war fast gänzlich das Ergebnis höherer Preise.

Gemäß der Welt-Tourismus-Organisation ist die Zahl der internationalen Ankünfte weltweit praktisch konstant geblieben. Etwa 280 Millionen Ankünfte in jedem der letzten drei Jahre (die Zahlen für 1982 sind geschätzt). Somit reflektiert die zurückgehende Nachfrage nach Hotelübernachtungen das weltweite Absinken des Reiseverkehrs. Die rezessionsbedingten Auswirkungen auf die Beschäftigung und das verfügbare Einkommen in bestimmten Regionen haben zu diesem rückläufigen Trend beigetragen. Wirtschaftliche und politische Schwierigkeiten sind besonders in Latein-Amerika akut gewesen und Betriebe, die Reisende aus diesem Gebiet gastronomisch betreuen, sind schwer betroffen worden. Beherbungsbetriebe aus allen Teilen im Südwesten der USA zum Beispiel berichten über deutliche Verringerungen der Belegung aufgrund der gesunkenen Nachfrage durch Mexikaner.

Es ist interessant festzustellen, daß preisgünstige Reiseziele wie Malta, Rumänien, Yugoslawien und Nord Afrika am meisten von dem Rückgang der Nachfrage aus nordeuropäischen Ländern, hauptsächlich aus der Bundesrepublik Deutschland, betroffen gewesen sind. Bis heute schien die westdeutsche Nachfrage unempfindlich gegen wirtschaftliche Probleme zu sein.

Trotz des trüben Bildes tauchen bestimmte Tendenzen auf, die einen positiven Einfluß auf das Beherbergungsgewerbe haben sollten. Obwohl die Arbeitslosigkeit in vielen entwickelten Ländern hoch ist, führen die Maßnahmen der Regierung zu einer Erholung bzw. einem Anstieg der Realeinkommen bei denjenigen, die Arbeit haben. Der Trend zu Kurzurlauben, die sich hauptsächlich Personen in höheren Einkommensklassen oder mit höherem verfügbaren Einkommen leisten, wird weiter wachsen, wenn sich die Wirtschaftslage erholt. Auf allen Marktebenen gibt es ein Interesse, eine entsprechende Gegenleistung für sein Geld zu erhalten. Dies gilt sowohl für das untere Ende des Marktes als auch für das obere Ende, wo Geschäftsreisende oder wohlhabende Touristen bereit sind, hohe Preise zu bezahlen, aber als Gegenleistung Spitzenqualitäten und ein entsprechendes Niveau beim Service erwarten.

Die neuesten Wirtschaftsindikatoren, einschließlich der veröffentlichten Prognosen des Weltwährungsfonds mit 1,5% Wachstum des Bruttosozialproduktes der Industrienationen zusammen mit einem einprozentigen Wachstum im Welthandel, lassen darauf schließen, daß der Tiefpunkt der Rezession überwunden sein dürfte und Maßnahmen zum Wirtschaftsaufschwung schon greifen. Obwohl die Zahl der internationalen Ankünfte während der vergangenen drei Jahre nicht gestiegen ist, ist es vielleicht ein Zeichen von erheblicher Elastizität, daß sie nicht gefallen ist. Verglichen mit anderen Zweigen der Wirtschaft wie etwa der Industrie, sind die weltweiten Betriebsergebnisse des Tourismusgewerbes unter den besten aller Gewerbezweige in den letzten drei Rezessionsjahren gewesen. Mit der Wiederbelebung der Wirtschaft kann für das Reisen eine Rückkehr zum Wachstum erwartet werden, und verlängerter Urlaub und geschäftliche Nachfrage sollten schnell die Aussichten für die Hoteliers weltweit verändern. ■

Prólogo

La industria hotelera ha experimentado una continua erosión en la demanda de servicios durante los últimos tres años. La información preliminar para 1982 indica que éste fué tal vez el peor de estos tres años, con el número de visitantes internacionales declinando en un 1.3 por ciento, luego de un aumento de 1.6 por ciento en 1981. En los Estados Unidos el número de viajes-personas en el territorio doméstico disminuyó en un 6 por ciento comparado con 1981, mientras que las llegadas internacionales declinaron en un 9 por ciento despues de 19 años consecutivos de aumentos. Un incremento de un 3.5 por ciento en ingresos internacionales por conceptos turísticos fue enteramente el resultado de precios más altos.

De acuerdo con la Organización Mundial del Turismo, el número de llegadas internacionales a través del mundo ha permanecido virtualmente estático en aproximadamente 280 millones de personas por cada uno de los tres últimos años (la cifra para 1982 es estimada). Por lo tanto, la caída en la demanda de habitaciones de hotel es un resultado de la caída mundial en viajes. El impacto recesionario en el empleo y el ingreso discrecionario en algunas regiones, han contribuído a esta tendencia. Las dificultades políticas y económicas han sido particularmente agudas en América Latina y aquellas propiedades hoteleras que atienden a viajeros de esta región han sido afectadas seriamente. Las propiedades hoteleras a través del suroeste de Estados Unidos, por ejemplo, reportan una disminución pronunciada en la ocupación promedio como resultado de la disminución en la demanda por parte de viajeros provenientes de Mexico.

Es interesante notar que aquellos destinos que se consideran económicos, tales como Malta, Rumania, Yugoslavia y África del Norte, han sido afectados principalmente por la disminución en la demanda proveniente de países del norte de Europa, principalmente Alemania Occidental, hasta ahora Alemania Occidental parecía estar a salvo de problemas económicos.

A pesar de esta dura realidad, ciertas tendencias parecen surgir que podrían tener un efecto positivo en la industria hotelera. Aunque el desempleo es alto en muchos de los países desarrollados, las políticas gubernamentales están teniendo como resultado la recuperación o aumento de los niveles de ingresos reales para aquellos que permanecen empleados. La tendencia hacia vacaciones cortas, la cual se encuentra más bien en personas de altos ingresos o aquellos que tienen ingresos discrecionarios, puede continuar creciendo mientras continúe la recuperación económica.

Hay evidente preocupación en todos los niveles del mercado por obtener el mayor rendimiento por el dinero gastado. Esto es más notable en el nivel más bajo del mercado, pero tambien en el nivel alto, donde los hombres de negocios o personas de altos ingresos están dispuestos a pagar precios altos, pero esperan recibir a cambio un producto de alta calidad y un nivel apropiado de servicio.

Recientes índices económicos, incluyendo proyecciones del Fondo Monetario Internacional, indican un crecimiento de 1.5 por ciento del producto bruto nacional de países industrializados, a la vez que un incremento de un uno por ciento en el comercio mundial parecen sugerir que la recesión tal vez llegó a su nivel más bajo y que una recuperación económica de cierta magnitud ha comenzado. A pesar de que los visitantes internacionales no han aumentado en los últimos tres años, es evidentemente un signo de su elasticidad el hecho que las mismas no hayan disminuido. Comparadas con otras industrias tales como manufactura, los resultados operacionales mundiales de la industria turística probablemente se hayan mantenido a mejor nivel entre industrias, durante los tres últimos años de recesión. Con la recuperación económica, los viajes se espera vuelvan a una tendencia de crecimiento, y la continua expansión en la demanda de viajes de negocios y placer deberá transformar la perspectiva para los hoteleros a través del mundo. ■

Comments From Around the World

Africa and the Middle East

From Angola

During 1982, there were no significant changes in the operating results of the hotel industry in the Republica Popular de Angola. Despite an increase in operating costs, ANGHOTEL UEE maintained high occupancy levels and average room rates compared with preceding years.

The Hotel Presidente is in partial operation and ANGHOTEL intends to wait until the facility is totally operational before beginning improvements at other hotels in Luanda.

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From the Arabian Gulf

The governments of several Gulf States are concerned about the poor operating results of hotels in the region and are exploring ways to increase the number of visitors to the area.

For example, in Kuwait, Bahrain, Abu Dhabi and Oman there are proposals to develop new convention facilities or improve and expand existing properties. In Dubai and Sharjah, more tourists have been attracted by high-quality hotels that offer beach-related facilities, as well as such attractions as overnight desert safaris. Bahrain and Fujairah have been experiencing significant demand from expatriates and residents of neighboring states for short stays and weekend visits. Visitors to Fujairah are primarily from Sharjah and Dubai, and visitors to Bahrain principally from Qatar and Saudi Arabia.

A recently published study issued by the Dubai Chamber of Commerce and Industry reports that prospects for the recovery of the hotel industry in the United Arab Emirates have improved, particularly for luxury hotels in Dubai. An almost complete recovery is reported for all hotels in Abu Dhabi. The supply of hotel rooms increased 232 percent in Dubai and 284 percent in Abu Dhabi between 1975-1982. In Abu Dhabi, Hilton International has been awarded a contract to operate a 25-story service apartment block, consisting of 240 studios and apartments. The property is scheduled for completion in 1985.

In Muscat, Oman, opportunities for hotel development still exist, although several properties are under construction or planned, including a Novotel near the airport, a proposed Sheraton hotel in the Ruwi commercial district, and a proposed ministerial commercial complex at Bustan, four kilometers east of Muscat. The latter development will include conference facilities, offices, a theater and a 450-room hotel.

Howard V. Williams
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London

From Cameroon

There is still considerable interest in hotel development in Cameroon. Economic growth has resulted in a number of hotel projects in Douala (the commercial center), and the development of Yaounde (the capital city) is generating interest in hotel projects. Recreational tourism is primarily in the northern sector of the country. However, a new organization, Societe Camerounaise du Tourisme, has been established to generate tourism in other regions. Initially, western Cameroon is expected to benefit the most because of its more developed infrastructure.

Proposals to develop hotel accommodation on the south coast have been linked primarily to plans to build a liquified natural gas plant and a deep water port south of Kribi. These projects have been delayed.

The number of proposed hotel developments could change market conditions in Douala and Yaounde. However, possibilities for new hotel developments exist in other areas of Cameroon, which will become diversified as the infrastructure is improved throughout the country.

Martin Gerty
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From Cyprus

During 1982, the number of tourists arriving in Cyprus totaled 548,000, an increase of 28 percent compared with 1981. The inflow of foreign currency increased 38 percent to CYP139 million. The most spectacular growth in tourists was in the number of arrivals from Norway and Denmark, although high rates were also recorded for arrivals from the Arab States, Sweden, Greece, West Germany and France. Expenditures per tourist increased 7.5 percent in 1982, primarily because of the increase in the number of tour groups, a form of travel favored by citizens of Nordic countries.

During the first four months of 1983, tourist arrivals increased only 3 percent despite a substantial growth in the number of visitors from Norway, Denmark, the United Kingdom, France and the Arab countries. This increase was offset by sharp declines in arrivals from Sweden and Greece due to the devaluation of the currencies of those countries. The tourism industry's performance in 1982 and 1983 should be compared with the targeted 12 percent average annual growth rate for tourist arrivals established in the new national economic plan for the period 1982 to 1986.

The major problems facing tourism in Cyprus are the rapid rate of growth in bed capacity, which increased 28 percent to 19,600 beds in 1982 (excluding unlicensed accommodation in apartments), and problems relating to the maintenance of the quality of the product offered in Cyprus. Other problems were the seasonality of tourism, the declining occupancy in

hotels and the relative lack of labor to meet expanding requirements. The government has established a policy of trying to slow down the rate of construction of additional hotels so that development will be consistent with the anticipated increase in tourist arrivals. Credit restrictions have been introduced in some areas where hotel capacity is expanding very rapidly.

To control the use of unlicensed self-catering accommodation (estimated at about one-third the total), a law has been enacted that requires such facilities to be registered with the Cyprus Tourism Organization. Regulations governing this type of accommodation are expected to be introduced in 1983.

As we have noted before, one reason for the deterioration of tourism services has been the effect on the environment resulting from rapid development. Government authorities are now aware of the problem, however. It is anticipated that restrictions on new hotel construction and increased expenditures for environmental projects will improve the situation. Still, the desired effects resulting from such policies are expected to take several years.

The new Paphos International Airport, expected to be operational in autumn 1983, should help develop the western part of the island. Meanwhile, fewer restrictions on charter flights from the United Kingdom to Cyprus appear to have had some favorable effects on tourism, but the Cyprus Hotel Association continues to press for further relaxation of restrictions on U.K. charter flights. The entire issue will likely be considered in relation to the anticipated low level of traffic at the new international airport and the government's policy of trying to encourage tourism from high-income groups. The government has also established a committee to study whether casinos should be allowed to operate in Cyprus.

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Chrysanthou, Christoforou, Michaelides
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From Egypt

As we reported in *Worldwide Lodging Industry Midyear Commentary, 1982-1983*, the consolidation of the hotel and tourism industries is progressing, with emphasis on the development of Egypt as a multidestination tourism country. The development of the Egyptian tourism industry to include beach-based facilities is expected to produce benefits for areas outside the main centers, as well as relieve some of the pressure experienced at the archeological sites of the Nile Valley where the volume of tourist traffic is beginning to test the capacities of the 4,000-year-old monuments, which were not primarily designed for an invasion by tourists. Sinai has been singled out as a good area for development and the development of hotel and tourism-related infrastructure has already begun on the Red Sea coast, particularly at Hurghada.

Cairo's hotels continue to have good occupancies and operating results but competitive pressures are evident as more hotel rooms become available. The short supply of accommodation always has been one of Egypt's problems and it is hoped that officials of the travel trade will be able to match the future availability of good standard accommodation with imaginative and realistically priced holiday packages. Business travel continues to be affected by the leveling off of business activity in the Middle East. However, increases reported in Arab traffic to Egypt illustrate perhaps that, despite past political problems, the country still appeals to its immediate neighbors.

Youssef Nabih
Youssef Nabih & Co.
Cairo

Edward J. G. Davies
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From Gabon

There are 2,100 hotel rooms in Gabon, most of them operated by hotel chains. Two-thirds of the supply is in Libreville, the capital, where the hotel industry was rapidly developed to meet the lodging needs of the Organization of African Unity summit in 1977. Other areas in which hotels are concentrated are in Port-Gentil (the economic and oil capital) and Franceville, the future terminal of the transgabonese railroad, which is under construction.

Business travelers generate most of the demand for hotel rooms in Gabon. Leisure tourism is almost nonexistent.

The country's economy has expanded continuously during the past several years as a result of offshore drilling for crude oil in the Port-Gentil area. Petroleum is the cornerstone of the economy, representing 50 percent of the gross domestic product, 80 percent of total exports and 65 percent of state receipts. The economic expansion resulted from booming prices per barrel and increasing dollar rates.

The current hotel market in Libreville is characterized by a 70 percent fair share occupancy level, while the existing hotel accommodation in Port-Gentil revealed a significant undercapacity. Existing construction projects include the development of new units in Port-Gentil and the resumption of construction of the Sheraton-Libreville, which had been delayed for several years.

The government has embarked on an "After Oil" development plan, which is based on a program that will use the transgabonese railroad as the backbone of future economic development. Heavy equipment will be transported on the railroad for use in the development of the country's abundant forest and mining resources. Tourism is also expected to contribute to this medium-range development plan.

It should be noted, however, that the recent deterioration of the crude oil market worldwide adversely affected Gabon's economy. The country is entering a period of economic uncertainty which could directly or indirectly influence the hotel market.

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Paris

From Gambia

Gambia is primarily a winter tourist destination that depends largely on tour groups. The number of tourist arrivals increased significantly during

the 1982-1983 winter season, following declines during the previous two years.

During the 1982-1983 winter season, charter flights were introduced from France, Austria and Switzerland. A marked increase in the number of tourists is expected during the 1983 summer season.

The current five-year development plan emphasizes consolidation, including the upgrading of tourist facilities and services, and the development of new markets, particularly during the low summer season.

Martin Gerty
Horwath & Horwath (U.K.) Ltd.
London

From Iraq

There has been an increase in the number of international class hotels in Baghdad during the past five years. This development was partly the result of the conference of nonaligned nations, for which an international conference center was also constructed. Other areas where hotel development has occurred include Basra and Mosul.

A five-year tourism development plan was prepared in 1980, following a tourism master plan prepared in 1975. However, implementation has been delayed because of the current war economy.

Martin Gerty
Horwath & Horwath (U.K.) Ltd.
London

From Israel

The decline in the number of tourists visiting Israel, which began in 1981, continued during 1982 and the first half of 1983. Among the reasons for the decrease during 1982 was the war in Lebanon and the prolonged shutdown of El Al, the nation's airline. There was a decline of about 13 percent during 1982 compared with 1981. Figures for the first four months of 1983 revealed a further decrease of 9 percent compared with the same period in 1982.

The number of European tourists arriving in Israel declined 19 percent in 1982 compared with 1981, while the number of visitors from the United States dropped only 2 percent. This relatively small decline signals that the downward trend in American tourism of the past few years might be drawing to a close.

Average room occupancy for 1982 dropped to 50.2 percent compared with 57.3 percent for 1981 and 59.1 percent for 1980. The drop in hotel room occupancy was partly offset by the number of Israelis taking advantage of special rate off-season accommodation offered by local hotels. As a result, the number of Israelis staying in Israeli hotels rose 15 percent in 1982 compared with 1981.

New hotel investment is at a virtual standstill except for projects in the Dead Sea area, which are being promoted.

The outlook for the coming months is somewhat optimistic as a result of an expected increase in tourism, which should lead to a gradual improvement in overall results for the year.

Dan Bavly
Horwath, Bavly, Millner & Co.
Tel Aviv

From Nigeria

A short supply of international standard hotel accommodation continues in Lagos and other business centers in Nigeria. While there is considerable interest in hotel development, progress has been hampered by the severe recession.

In Abuja, the new capital city, Hyatt and Sheraton hotels are under construction. However, these projects and the overall development of Abuja have been delayed because of the recession.

There is a need for new hotel development, particularly in Lagos and some secondary business centers. But further hotel development is closely linked to the general economic climate.

A. B. Alabi
Alabi, Bakoh, Ekundare & Co.
Lagos

From Saudi Arabia

An oversupply of accommodation in Saudi Arabia has resulted in slightly depressed hotel occupancy levels. However, the existence of price controls has resulted in marketing strategies being more concerned with "increased value for money at a given price" than in price reductions for an established product. Thus, what is now available in terms of guest service is far superior to the product of a few years ago.

Stability is as much a characteristic of the Saudi Arabian economy in general as it is for the country's hotel industry in particular. There will be a consolidation phase during 1983 and 1984 — a time for reappraisal of products and an increasing realization of the competition in the marketplace. In the past, a number of leading hotels were selective about confirming reservations. Now there is an ample choice of hotels and travelers are favoring facilities that can quickly guarantee reservations. This factor coupled with the services provided play a significant role in a traveler's choice of hotel.

There are many luxury hotels in Saudi Arabia, all offering a range of quality accommodation and featuring exceptional internal design. But even these facilities are having to place increased emphasis on providing services that complement the environment.

There is a good balance between the supply and demand of accommodation in major centers. Even the conversion of one hotel in Riyadh and another in Dhahran to hospitals does not appear to have disturbed the equilibrium.

The third development plan of the kingdom is oriented toward consolidation of the economy and a focus on development in secondary cities. Thus, hotel development is being investigated outside the Dhahran-Riyadh-Jeddah axis. The only other factor that could have an effect on the hotel market is the move of the diplomatic enclave and embassies from their traditional location in Jeddah to Riyadh, the capital. Otherwise, the lodging industry is expected to maintain its stability in an atmosphere of increased competition for its share of the market.

Edward J. G. Davies
Horwath & Horwath (U.K.) Ltd.
London

From South Africa

Background: During the past year, South Africa's hotel industry experienced generally lower occupancies and more difficult operating conditions as a result of the recession. Average occupancies in the twelve-month period ended February 1983 were about 7 percent lower than the same period a year earlier. During the December 1982 summer holidays and Christmas period, the busiest time of year for the country's hotel industry, average room and bed occupancies were about 7 percent lower than the previous year.

Reported Results: The Holiday Inn Group reported a 32 percent increase in operating profits for the year ended December 31, 1982. Overall room occupancies (at 73 percent) were only one percent below the previous year. The Wild Coast Holiday Inn and Casino in the independent Transkei homeland was the highlight of the year. The operating results achieved at this facility were significantly in excess of expectations and plans have been finalized for a $22 million expansion that will provide additional rooms, enlargement of the casino and conference facilities, and an increase in facilities for day visitors.

The Southern Sun Group recently announced its results for the year ended March 31, 1983. Notwithstanding economic conditions, turnover increased 11.6 percent to US$231 million and taxed profits 2.6 percent to US$42 million. Room occupancy, however, declined from an average of 80 percent in the year ended March 31, 1982 to 75.3 percent in the year ended March 31, 1983.

New Developments: The upper end of the local market is thought to be reaching a saturation point and, primarily for this reason, South Africa's largest hotel chain, Southern Sun, has embarked on an international expansion program. Southern Sun has acquired two hotels on Mauritius in the Indian Ocean. It now operates three units there with about 470 rooms. There are plans to increase the number of rooms and also to build a casino.

Time-sharing is becoming increasingly popular in South Africa. A number of successful developments have been completed recently, particularly along the Natal coast.

Another significant development is the ending of merger discussions between Southern Sun and Holiday Inns. The widely publicized proposal could have had far-reaching implications for the industry.

Manpower: The lack of skilled manpower within the hotel industry continues to be a significant problem and major groups still find it necessary to recruit skilled staff abroad. To help alleviate the shortage, Holiday Inns plans an in-house training center adjacent to one of its inns. Another important step is the establishment of South Africa's first hotel management program at the University of Cape Town.

Southern Sun also plans increased investment in training this year, which should result in a greater number of senior positions being filled from within the organization.

Conference Business: This segment of the lodging industry continues to increase and convention facilities are a priority in new hotels, as well as refurbishings.

Tourism: Tourism could become one of the top three industries in South Africa but development is hampered by poor marketing, lack of information and major differences between the private and public sectors. As a first step, the government has announced that it will set up a new board, the South Africa Tourist Board, to coordinate strategies on tourism. Existing tourist bodies, the government and the private sector will be represented on the board.

The business community, hotel owners, travel agents and tour operators believe that the country will benefit from increased tourism. Further development of the industry would earn foreign exchange and improve South Africa's image. On the other hand, the government is more cautious and favors a gradual development of the tourism industry.

Prospects: For 1984, the outlook is cautious and we expect pressure on margins and occupancies because of intense competition. The anticipated increase in domestic and international tourism is unlikely to have an impact on hotel profits until 1984.

Malcolm Segal
Kessel Feinstein
Johannesburg

From Tunisia

During 1982, the supply of hotel rooms increased 6.3 percent. In addition, the average tourist stay increased 40.6 percent, from 5.8 days in 1981 to 8.1 days in 1982. This increase is primarily attributed to an overall improvement in the quality of service rendered.

Tunisian tourism demand, however, was affected by the worldwide economic downturn. The number of tourist arrivals dropped from 2,150,996 in 1981 to 1,355,129 in 1982, and total guest nights decreased from 13,227,528 in 1981 to 12,110,843 in 1982.

The sixth tourism development plan for the years 1982-1986 provides for an increase in the supply of facilities and infrastructure development. By 1986, the number of guest nights is expected to reach 17,600,000. Thus, the bed supply should increase from its current level of 78,083 beds to 106,286 beds.

The supply of hotel rooms in large cities is expected to increase significantly, based on the growth in demand from business and convention travelers.

The infrastructure development plan will mainly benefit the tourist circuits in the Sahara and northwest Tunisia.

Rached Fourati
Cabinet Fourati
Tunis

Dominique Gagnard
Horwath & Horwath France
Paris

From Turkey

Legislation has been introduced that would give greater powers to the Ministry of Culture and Tourism in matters relating to tourism development. It also provides for additional development incentives to important tourist projects. Measures also have been introduced to encourage yachting tourism.

There is considerable interest in hotel development in Turkey, particularly in Istanbul, Ankara (which will benefit from the return to an elected assembly) and tourist development areas on the Mediterranean coast.

Martin Gerty
Horwath & Horwath (U.K.) Ltd.
London

Asia and the Pacific Region

Comments for the Pacific Region were compiled by Clarence Peters, Laventhol & Horwath, San Francisco, based on information provided by HHI members in the region.

General Comments

Occupancy has declined in most countries in the Pacific as a result of the worldwide recession and/or overbuilding in several markets.

Room rates have not increased appreciably and, in some markets, have declined slightly as local hoteliers attempt to combat declining occupancies. It will probably be early 1984 until the markets can absorb the new rooms and the recessionary effects lessen.

The long-term potential for the area continues to be strong, however, and as the economy improves and significant events occur, e.g., the 1988 Olympic Games in Seoul, hotels should return to their historically strong performance levels.

From Australia

New South Wales: Overall occupancy rates in New South Wales dropped during 1982 (the most marked reductions were in the third and fourth quarters, down 6.4 percent and 6.6 percent respectively, compared with the same quarters in 1981), reaching a low of 52.2 percent in the last quarter.

These decreases were even more pronounced in Sydney, where the 1981 average of 85 percent dropped to about 70 percent in 1982. A combination of factors, including reduced business travel, fewer convention delegates (a 40 percent decrease compared with 1981), minimal growth in international tourism and the opening of the 620-room Regent of Sydney, has contributed to the decline in occupancies. In addition, stringent new laws against drunk driving (in effect since December 1982) have affected alcohol sales, and all liquor outlets, including hotels and restaurants, have reported reduced business.

As a result of these conditions, room rate increases have been minimal, and some operators are offering discounts and package arrangements. In an attempt to compete for the available market, four city properties plan to spend about $23 million to refurbish and redecorate. Another 700 rooms due to be completed during 1983 will add to the supply of first-class hotel rooms in Sydney. The Sydney Intercontinental, now under construction and due for completion in 1985, will provide another 583 rooms. Two more projects currently being planned will add another 1,300 rooms to the city if completed.

The number of national and international conventions booked for Sydney continue to increase (although delegate numbers are reduced), and the new $41 million Sydney Entertainment Centre, which opened in April, seats 12,000.

The outlook for industry growth during 1983 is somewhat favorable because of the apparent ending of the recession, the ending of a crippling drought, an estimated 5 percent increase in international arrivals and the 10 percent devaluation of the dollar in March 1983.

Tony South
Horwath & Horwath
Sydney

Queensland: Various factors affected the Queensland lodging industry in 1982, resulting in a marked reduction in occupancy rates. As a result of the government's strict program against drunk driving, hotels and restaurants reported reduced trade. Those hotels without drive-in alcohol sales outlets were particularly affected.

Economic conditions in general affected occupancy rates. A trend toward shorter, less expensive holidays was noted at resort areas. Because operators were unable to increase room rates sufficiently to compensate for reduced patronage, occupancy rates dropped 12 percent compared with 1982 figures. However, the steady performance of the Whitsunday Resort region in 1982 indicates that a strong market still exists for leisure time destinations. As economic conditions improve, the outlook for the 1983 lodging industry in Queensland is more optimistic.

Brian Sully
Horwath & Horwath
Brisbane

South Australia: Statewide occupancy rates reached 54.5 percent during 1982, an increase of 0.5 percent compared with 1981, and room supply increased 2.9 percent. In Adelaide, occupancies increased 1.8 percent while room supply decreased 1.3 percent.

Room rates remained stable during 1982 with some operations offering discounts.

As in other areas of the country, the South Australia lodging industry felt the effects of drought, the recession and the 1982 introduction of laws against drunk driving. The breaking of the drought and some signs of economic recovery should improve the outlook for the industry in 1983. The opening of the 400-room Adelaide Hilton is expected to fill any extra market demand.

Graham Lunn
Horwath & Horwath
Adelaide

Tasmania: Compared with 1981 levels, occupancy and room rates dropped 5 percent and 2 percent respectively in Tasmania during 1982.

The major factors contributing to these declines were the recession and legislation against drunk driving, which reduced business throughout Australia.

A modest improvement in the Tasmanian lodging industry is predicted for 1983. As the economy recovers, a 5 percent increase in room rates is expected, although occupancy rates should remain stable.

A major development for 1983 is a 1,600-seat convention facility that will be added to the Wrest Point Casino complex.

C. J. Rooke
Horwath & Horwath
Hobart

Victoria: As in other areas of Australia, the recession and recent

drought affected the lodging industry in Victoria.

Occupancy and room rates remained stable between 1981-1982. The opening of the Melbourne Regency increased the number of available rooms, heightening market competition. With an additional 300 rooms due for completion during 1983, the outlook for lodging operations in Victoria is not favorable.

Ted Horner
Horwath & Horwath
Melbourne

Western Australia: Overall occupancy rates in Western Australia dropped from 48 percent in 1981 to 46 percent in 1982. In Perth, occupancies decreased 3 percent in 1982 and the room supply increased 2.5 percent.

Three new hotels currently under construction plus an extension of the Gateway Inn slated for completion in 1983-84 will add 927 rooms to the existing supply. An additional 11 hotels, totaling 3,055 rooms, are planned for the Perth area. Five of them have been approved, five are pending approval and construction has been delayed on one.

D. F. Crawley
Horwath & Horwath
Perth

From Hawaii

Average hotel occupancy in Hawaii declined 8 percent in 1980 and another 2 percent in 1981 to about 69 percent. Ground operations also fared badly, judging by the number of agents that went out of business and the number of mergers. For this reason, a heavy marketing program has been implemented in 1982 and planned for 1983. For the first time, the Hawaii Visitors Bureau has been allocated a budget to promote Hawaii in other countries besides Japan. Specific markets that have been targeted are Hong Kong, Singapore and Taiwan, as well as Malaysia and Indonesia.

From Hong Kong

Occupancy in Hong Kong has declined as a result of the recession and the addition of a significant number of new hotel rooms during 1982. There was a 20 percent increase in four- and five-star hotels at the beginning of 1982 compared with 1981, and by year-end another 12-14 percent increase was experienced.

Arrivals in Hong Kong for the first six months of 1982 were up about 4 percent compared with the same period in 1981. The Hong Kong Tourist Association's figures indicate a decline in all categories.

Hotel Category	*Occupancy First Six Months 1982*	*1981*
Highest Tariff	82%	87%
Higher Tariff	83	88
Medium Tariff	77	81

Most hotels are discounting to attract group business and are extremely flexible in quoting rates to other travelers. A variety of packages are available that offer substantial savings to Hong Kong visitors. The results have been mixed, with several hotels generating significant additional room nights, while others have not fared as well.

The Japanese are still the primary source of business for Hong Kong hotels. There also has been an increase in arrivals from the Asian Pacific markets.

Samuel M. H. Wong
Wong Brothers & Co.
Hong Kong

From India

Bombay: During 1982, 860,178 tourists arrived in Bombay compared with 853,148 in 1981, an increase of only .8 percent, the lowest increase recorded during the last 12 years. This poor showing is attributed to the recession in the West, a preference by tourists to spend their holidays in more heavily promoted countries of the Far East, and strict visa formalities introduced by the government.

The number of hotel rooms increased from 22,080 in 1981 to 29,332 in 1982, an increase of 32.8 percent. Hoteliers recognize that an increase in the supply of accommodation alone cannot automatically guarantee an increase in the number of international tourist arrivals. The government may scale down its targeted figure for tourist arrivals expected during the next three years.

The occupancy and profits of five-star hotels continue to be satisfactory but there is a fear that the market has now turned into a "buyers market" and in Delhi there will be an excess of supply over demand. The outlook for 1983 is not very bright and there could be a reduction in room rates before an equilibrium is restored between supply and demand.

Efforts are underway to develop Delhi as a major convention center. But experts believe that such a policy could present a major problem for the country as a whole, since delegates to conventions in the capital traditionally have not visited other cities in India. Delhi would benefit and the number of foreign arrivals would increase, the experts say, but India's other tourist spots could be adversely affected. The capital could become a privileged enclave at the expense of other cities.

The expansion of the hotel industry has created a demand for trained hotel staff. There are now four main hotel management institutions based in Bombay, Delhi, Calcutta and Madras that conduct three-year diploma courses. The larger hotels also have in-house training and continuing education programs.

With government encouragement and its recognition that hotels are a priority industry that earns a sizeable foreign exchange, we are optimistic about the future development of the hotel industry in India because of its vast untapped potential.

V. N. Raiji
N. M. Raiji & Co.
Bombay

New Delhi: During 1982, there was a nominal increase of .7 percent in the number of tourists that arrived in India compared with 1981. The growth in tourist traffic is expected to increase 2-3 percent during 1983.

Foreign exchange earnings from tourism, according to the Reserve Bank of India, exceeds export earnings from major commodity groups. A number of fiscal incentives have been provided. To attract petrodollars, special concessions have been made available to hotel developers. Long-term financing also is provided to private entrepreneurs by financial institutions.

In recognition of the importance of

maintaining its balance of payments, the government is promoting tourism, conventions and charter groups. The Minister for Tourism and Civil Aviation outlined a tourism policy in November 1982 that provided guidelines for the future development and marketing of international and domestic tourism. To date, however, there has been no implementation of the policy.

An Institute of Tourism & Travel Management, an autonomous agency under the jurisdiction of the Department of Tourism, was recently established to develop manpower needs for the leisure time industries. In addition, five institutions of hotel management and catering and 11 foodservice institutions are operating at various tourist centers in the country.

The government also has been developing the tourism infrastructure. A network of 61 travel circuits involving 441 tourist centers has been identified. By the end of 1982, 40 hotels (with a capacity of 29,332 rooms) were on the approved list of the Department of Tourism. In addition, more than 200 projects were approved that could add 17,000 rooms nationwide when completed. Another 80,000 rooms are available in hotels not approved by the government agency. Currently, 234 hotels have been categorized, of which 29 properties with more than 6,000 rooms are five-star (deluxe category). The major hotel chains responsible for promoting and marketing facilities include Inter-continental, Sheraton, Hyatt Regency, Meridien and Holiday Inns. Unless there is significant growth in the tourism industry, the immediate future of the hotel industry does not appear very bright.

The India Tourism Development Corporation (ITDC) played a pioneering role in making arrangements for the 9th Asian Games and the 7th Non-aligned Nations Summit held in New Delhi. ITDC is currently providing more than 4,000 rooms in important centers nationwide.

Most hoteliers and members of the travel industry believe that the current slump may continue through mid-1983. The recent cut in oil prices by OPEC (Organization of Petroleum Exporting Countries) and other countries may affect tourist generating markets. As a result, there may be a growth in tourism during the second half of the year.

P. K. Chopra
P. K. Chopra & Co.
New Delhi

From Indonesia

During 1982, the number of visitor arrivals increased 11.5 percent compared with 1981. As prices increased, there was a reduction in the number of Japanese tourists. The Australian market, however, showed no signs of weakening. The number of American arrivals continues to decline, while the British market has become Indonesia's fourth largest source of business.

Jakarta's first-class hotels (about 4,000 rooms) have had steady increases in occupancy levels and there should be no exception to this trend during 1983. However, Bali, which is Indonesia's barometer of the tourist industry, experienced decreases in occupancy levels at some of its major hotels. Undoubtedly, this is a result of the recession in Europe.

Programs for marketing convention business, as well as renovation plans, have been implemented at many Indonesian hotels. These developments are expected to compensate for the decline in long-haul traffic experienced this year.

From Japan

During the past few years, Japan has experienced an increase in the number of visitors, as well as a change in the market mix. Domestic business used to be 35 percent of occupancy, but that has increased to 50 percent. Group business has decreased and represents only 3-5 percent of total demand.

Hilton, one of Japan's most successful hotels, plans to open a 600-room hotel in Osaka in 1985. This new facility will emphasize food and beverage sales. At the existing Hilton, food and beverage sales as a ratio to total sales has increased during the past few years in favor of rooms revenue, with banquet sales representing 50 percent of the food and beverage sales.

From Korea

By the end of 1983, there will be about 23,400 first-class hotel rooms in Korea, a 19 percent increase compared with 1981. If any additional rooms are to be completed before the Asian and Olympic Games in 1986 and 1988, respectively, construction must start during 1983-1984. Several hotel chains currently have applications pending. Foreign investors are now able to have 50 percent equity positions in hotels with a minimum of 1,000 rooms.

Two areas slated for development in Korea are the island of Cheju and the Bomun Lake area.

Hotel openings during 1983 include the 135-room Busan Crown in Pusan, the 712-room Hilton and the 101-room Seokyo in Seoul. The 224-room Hyatt in Chejo is slated to open during 1984. The managers of older hotels are in the process of or planning renovations to remain competitive.

Soo Kil Kim
Chong-un Accounting Corporation
Seoul

From Macau

Although tourist officials in Macau had anticipated growth in the lodging industry during 1981, there was a decrease in the number of visitor arrivals in Macau. There was an 8.9 percent decrease in the number of visitor arrivals during the first half of 1982 compared with the previous year. Macau depends heavily on ground operators and tour groups to China. The decline in visitors has resulted mainly from tourists either electing to stay for shorter periods or bypassing Macau in favor of Hong Kong and the People's Republic of China. The decline is also partially attributed to an inadequate supply of quality hotel rooms.

The recent lifting of numerous governmental regulations is expected to provide hotel developers with more incentives to add to the rooms supply on Macau. About 10 new projects are planned, under construction or near completion that will add about 4,000 rooms to the market.

A US$1 million feasibility study has been planned during 1983 for an international airport on Macau.

From Malaysia

Business in Malaysia is seasonal, and is greatly influenced by the November to February monsoon season when

utilization on the east coast can drop significantly.

The recession has slowed growth. Rising prices have caused room rates to increase considerably. Only the construction of more rooms is likely to have an effect on the continuing increase in average room rates.

Although numerous hotels are planned throughout the country, few have reached the ground-breaking stage. Only two properties are currently under construction in Kuala Lumpur which, if completed on schedule, will add an additional 1,200 rooms by 1985. Hilton has acquired the Jaya Puri in Petaling Jaya, which will open this year with 400 rooms.

From the People's Republic of China

China will hold its first international tourism conference in Peking this year, under the auspices of the Travel and Tourism Administrative Bureau and the Civil Aviation Administration of China.

There has been an obvious scaling down during the past two years of China's initial plans for new hotels. Foreign assistance will be restricted to key areas. Peking, a city suffering the most from a shortage of accommodations, will receive priority. About 10 projects are underway that will provide Peking with an additional 6,000 rooms by 1985.

Two international standard hotels have opened in Peking. The first stage of the Fragrant Hills Hotel, 20 kilometers west of Peking, opened in October 1982. The hotel was designed by American architect I. M. Pei, whose atrium design was inspired by the Chinese tradition of an interior courtyard. The hotel has 292 rooms in two- and four-story sections to fit its surroundings and is separated into five sections by 11 small gardens. Amenities include upscale lighting systems, closed circuit color television and air-conditioning, as well as a full assortment of recreational facilities, including a pool, sauna, massage parlor, health club and billiards room. The Fragrant Hills' tariffs are US$70 to US$125.

The 522-room Huadu opened in July 1982. The hotel is between the city's main airport and the diplomatic quarter in northeast Peking. Rack rates at the Huadu are US$28 for small doubles and US$41 for larger doubles. This facility offers special discounts for group business.

From the Philippines

Low occupancies and fewer arrivals continue to plague hotels in the Philippines. Resorts in such areas as Legaspi, Zamboanga and Palawan are apparently still maintaining their 1982 occupancy levels. Room rates in these areas are still depressed, however, and little improvement, if any, has been seen over 1982 levels.

Although figures for all of 1982 have not been made available, the number of visitors to the Philippines appears to be down 5-8 percent compared with 1981. A trend for 1983 cannot be predicted at this time.

From Singapore

About 1,500 new hotel rooms have been added to Singapore's supply of accommodations during 1982 and at least 24 new projects are planned for 1983 through 1986. Most of the new rooms will be ready in 1984 and 1985. There will be about 30,000 rooms available by 1986. The development of the new supply of rooms was chiefly a response to a projected four million arrivals by 1985, or a growth rate of 10-12 percent. These figures were revised by the Singapore Tourist Promotion Board to 6-10 percent, which resulted in a slight decrease in occupancy levels for 1982. However, an upward trend is forecast once again for 1983.

Leslie K. C. Wong
Wong and Teo
Singapore

From Taiwan

During 1982, the number of visitor arrivals in Taiwan was down 1-2 percent. Hoteliers anticipate a slight decline in occupancy during 1983. Japanese visitors constitute nearly 50 percent of overseas visitors to Taiwan, but the number of visitors from this country began to increase at the end of 1982.

Several small hotels in Taipei have closed, some for renovation and others due to poor operating results. Hyatt Corporation is managing the former Asiaworld Plaza, which is scheduled to open in fall 1983. The only other new hotel scheduled to open in 1983 is the 600-room Howard Plaza. Renovations continue at other hotels in the Taipei area.

Outside Taipei, the government is promoting development plans at Kenting on the southern tip of Taiwan. This area includes Taiwan's first national park, where ground has been broken for a 150-room youth hostel and a 300-room first-class hotel.

Ting-Wong Cheng
Hsu Yang Cheng & Co.
Taipei

From Thailand

During the first six months of 1982, arrivals in Thailand increased 16 percent. The number of visitors from Europe declined about 4 percent. As experienced in other Asian countries, the Japanese were responsible for the major increase in foreign arrivals, although the number of visitors from Singapore and the Philippines increased significantly. The largest single source of visitors was from Malaysia.

There continues to be an oversupply of hotel rooms at major destinations in Thailand. Bangkok will experience a 7.0 percent increase in rooms by year-end 1983. Pattaya, the major coastal resort south of Bangkok, had a 7.4 percent increase in rooms in 1981 and a 17 percent increase in 1982. Further development is planned.

Hotel operators continue to aggressively market to groups. During the last six months of 1982, there were 109 international meetings in Thailand, an increase of 60 (or 82 percent) compared with the same period in 1981.

Rodolfo U. Alvizo
Allied Management Consultants of Asia Company, Ltd.
Bangkok

Europe

General Comments

Political rather than economic events during recent months have affected the outlook for Europe's tourism industry. Since Worldwide Lodging Industry Midyear Commentary

1982-1983 was released early this year. Portugal has had a general election but a government has not emerged yet (although some changes in policies are expected when the new government eventually takes office). A general election in Austria produced a coalition, while recently elected governments are still getting established in Ireland, Spain and West Germany. General elections were held in Italy and the United Kingdom, where changes of policy may or may not result. The significance of these political events is that all the countries mentioned, as well as France, are either major demand generators or major recipients of tourism. Although there has been no recent election in France, the political scene has been somewhat volatile, with organized demonstrations in a number of places, particularly in Paris. It is in France, however, where the most dramatic change in policy has been experienced, one which directly impinges on domestic and overseas tourism. The severe restrictions on foreign currency available to French residents for overseas holidays has resulted in a heavy demand by French citizens for domestic holidays and a reduction in French demand for foreign holidays. [In 1982, France was the fourth largest (by expenditure) generator worldwide of foreign tourism.] So, the potential problem posed to destinations benefiting from French demand is obvious. As a corollary, there is some evidence to suggest that foreign tourism to France is already being inhibited by the difficulty in finding suitable accommodation because of the sudden domestic demand, as well as the resulting price increases. The French restrictions do not apply to holidays taken in the C.F.A. (i.e., franc) zone, so these territories should be unaffected and could even benefit.

As we noted in Worldwide Lodging Industry Midyear Commentary, 1982-1983, *the change in pattern of German demand follows what was established in other northern EEC (European Economic Community) countries: travelers have become more concerned about value for money. We also indicated that any recovery for Spain and Italy during 1983 could only be at the expense of other destinations, particularly North Africa, Yugoslavia and Black Sea countries, "and perhaps even Greece for which there are current rumors of poor advance bookings for summer 1983." These comments were prophetic since there are signs that Greece is experiencing a downturn in demand.*

Spain seemed poised to benefit from a recovery in demand but this may not materialize because of the New French currency regulations. Italy is also expected to suffer from the French currency regulations, but tourist prices in that country seem to be set to discount inflation before it has occurred. As such, those responsible for Italy's tourism industry should now consider whether it continues to be an inexpensive destination.

Finally, a comment from the Republic of Ireland contained in this report should be noted: "In April 1983, vigorous lobbying by the Irish Hotels Federation gained a concession from the government in the form of a reduction of the recently increased value added tax. Any form of sales tax, including VAT, on hotels results in increased prices. This automatically makes hotels less competitive not only with hotels in other countries but also with other consumer products. Could this action in Ireland become a precedent for other European countries?

Jonathan A. Bodlender
Horwath & Horwath (U.K.) Ltd.
London

From Austria

In 1982, as in previous years, the services account of the Austrian national economy was dominated by the results of the tourism sector. While the number of guest nights appears to have declined, gross foreign exchange receipts from tourism during 1982 increased about 6 percent in nominal terms. This factor, combined with only marginal increases in foreign exchange outlays by Austrians traveling abroad, resulted in a 10 percent increase in net tourism receipts. The importance of the tourism industry to the nation's economy is reflected in the intention of the Austrian Government, according to recent budget estimates, to spend about 8.2 billion Austrian schillings on tourism promotion and development during the period 1982-1989. This outlay includes subsidized credits for investments in the industry.

Vienna is currently experiencing a boom in hotel development. Major projects currently under construction include a 211-room ETAP/Wagon Lits hotel, a 127-room Novotel, a 136-room private development, a 200-room hotel as part of a "tropical park" development in the southern suburbs and a 355-room Marriott Hotel. Other projects in the planning stages include a 350-room Ibis hotel, a 200-room SAS hotel, a 100-room Mercure Hotel and the conversion of a former theatre into a 250-room hotel.

Günter Cerha
Auditor Treuhandgesellschaft M B H
Vienna

Howard V. Williams
Horwath & Horwath (U.K.) Ltd.
London

From Bulgaria

During 1981, Bulgaria's economy increased 4.5 percent, the highest among the CONECON countries. International tourism is becoming a valuable source of hard currency and contributes to the overall currency surplus that has ensured that the current account has remained in broad equilibrium. Consequently, the Bulgarian Government pays special attention to the development of international tourism and the tourism industry. The State Committee for Tourism (Balkantourist) has a complex structure with departments responsible for the planning, development, operation and marketing of all aspects of Bulgaria's tourism industry.

Tourism investments are primarily being made in developing and improving facilities for year-round use at resort areas that previously had been seasonal, in expanding existing hotels, reconstructing some hotels for tourists interested in Bulgaria's therapeutic spas (an important sector of the tourism industry), expanding facilities for sports and recreation, upgrading existing restaurants, constructing "budget" hotels designed for the transit market and upgrading properties in the Interhotels chain to conform to three-star international standards.

An important factor in the development of facilities for international tourism is the possibility that the design, construction and operation of such properties could be joint ventures between Bulgaria and other countries.

Projects already developed on this basis include Novotels in Sofia and Plovdiv, the Grand Hotel Varna in the Drouzhba resort on the Black Sea and the Vitosha New-Otania Hotel in Sofia.

Horwath & Horwath (U.K.) Ltd. was involved in a study of a proposed joint venture between Balkantourist and the government of an Arabian Gulf state for a proposed 200-room deluxe category hotel development in a mountain spa resort near Sofia. Other major hotel developments in Bulgaria include a 600-room resort hotel with balneological facilities at Albena on the Black Sea and a 300-room hotel in Sofia.

In 1982, about 5.1 million tourists arrived in Bulgaria, although a large proportion (2.8 million) were visitors in transit who spent less than 48 hours in the country. There was a 6.6 percent decline in arrivals during 1982 compared with 1981, although significant increases had been experienced annually for a number of years.

Howard V. Williams
Horwath & Horwath (U.K.) Ltd.
London

From Denmark

In 1982, room occupancy in Denmark was 49 percent compared with 48 percent in 1981 and bed occupancy was 37 percent, the same figure as reported in 1981.

For Greater Copenhagen, room occupancy in 1981 was 64 percent compared with 63 percent in 1981, and bed occupancy was 52 percent compared with 51 percent in 1981.

During 1982, there was an increase in the number of Americans and Norwegians arriving in Denmark but a decrease in the number of Germans. Most tourists arrive from Germany, the United States, England and other Scandinavian countries.

For 1983, the outlook is optimistic. Advance bookings have increased for the year compared with 1982, especially for Copenhagen which will attract more tourists from the U.S. who have booked package tours. Convention business in Copenhagen also has increased during 1983 compared with the prior year.

The investment climate in Denmark has improved considerably since mid-1982. Interest rates have declined from 21.5 percent to 14.5 percent, which is partly due to changes in international interest rates and the decline in oil prices.

Ivan Jasper
Horwath & Horwath Denmark
Copenhagen

From Finland

Occupancy levels in Finnish hotels declined 2 to 3 percent between 1981 and 1982, as we reported in *Worldwide Lodging Industry Midyear Commentary 1982-1983*. A further decrease is expected during 1983. There is, however, a marked difference between various regions.

Part of the decline is due to the increase in the supply of rooms while demand has been fairly constant, particularly with regard to business travelers. The number of guest nights has increased 2 percent.

Although some hotel chains have experienced very good returns during 1982, average profits were very low. High capital costs and short repayment times are two of the main reasons for this development. The negative tourism balance of payment, which is expected to continue in 1983, is due to the fact that winter tourism facilities are undeveloped because of a lack of national ski resorts.

Discussions have been discontinued relating to possible changes in the regulations for deductible entertainment expenses, so the prospects for the restaurant industry appear to be brighter during 1983.

An average 10 percent increase in room rates is expected as a result of the lifting of price controls. The general economic outlook in Finland is cautiously optimistic with an expected BNP increase of 2 to 3 percent and an inflation level of 6 percent.

The introduction of a fifth holiday week has resulted in increased leisure time activity, particularly during the winter when it is compulsory to take the extra week.

Harry Lindberg
Jagerhorn, Lindberg,
Almqvist & Co.
Helsinki

Anders Agren
Horwath & Horwath Sweden AB
Stockholm

From France

Compared with 1981, France's tourism industry did not experience a favorable year during 1982. In Paris, the main port of entry for international tourists, overall passenger traffic increased 3.8 percent compared with 7.2 percent in 1981. In 1982, there was a 6.9 percent increase in domestic arrivals compared with 13.3 percent in 1981, and a 2 percent increase in international arrivals in 1982 compared with 4.6 percent in 1981.

As anticipated, the results for the French hotel industry declined during 1982 due to the devaluation of the French franc compared with the strong currencies of other nations, especially the United States dollar and the West German mark. Other adverse effects were government measures instituted in October 1981, including an increase of the value added tax applicable to deluxe and four-star properties from 7 percent to 18.6 percent and a 30 percent tax on the general expenses of companies, including restaurant and banquet costs. These factors have significantly affected the market potential and reduced the demand for hotel services. Despite the weakening of the French franc compared with other major currencies, the increase in the number of foreign visitors to date in 1983 has not compensated for the loss of French clientele.

Although the number of Italian and British visitors increased during 1982, arrivals from other major markets, specifically Germany and the U.S., remained stable or declined.

The average room occupancy levels of French hotels reflected the following trends during 1982:

- International class hotels experienced a decline in demand of about 3.5 percent without any significant change in the total room capacity.
- A similar trend was registered in four-star hotels, with a drop in occupancy averaging 2 to 3 percent.
- Three-star properties experienced stable or slightly increased occupancy levels (+1 percent) with the notable exception of Parisian units, which registered a 2 percent decrease. However, significant changes were reported in room capacities for this category.
- The demand for two-star hotels

continued to increase, with occupancy levels rising an average of 7 percent (3 percent in Paris) despite a regular expansion of available rooms throughout the country.

The government's social programs—fifth week of paid vacation, a reduction of working hours, minimum wage increase—affected operating costs. Combined with less favorable market conditions, these factors generally have reduced overall profit margins.

The outlook for 1983 is uncertain. The economic upturn anticipated for 1983 and the persistent weakness of the French franc point to the likelihood that there will be an increase in demand from foreign travelers. However, the recent implementation of an austerity program in France will probably create a drop in the purchasing power of French citizens. The severe currency restrictions imposed on French nationals will reduce the number of French traveling abroad, except to the C.E.A. zone.

René Amirkhanian
Horwath & Horwath France
Paris

From Greece

In *Worldwide Lodging Industry Midyear Commentary 1982-1983*, we drew attention to a 2 percent decline in tourist arrivals during 1982 compared with 1981, which was considerably lower than the decrease of 10 percent estimated earlier in 1982.

Sadly, 1983 is not expected to show any improvement over 1982, and significant reductions are expected in the number of European visitors to Greece, particularly as a result of the devaluation of the Swedish kroner and the currency restrictions placed on French and Yugoslavian nationals traveling abroad.

The British market has shown great potential in recent years, with more than a million British visitors recorded for the first time in 1982, nearly twice the number of West Germans, which is Greece's next largest tourist market. A large increase in the number of British visitors in 1983 is unlikely as less expensive prices this year in Spain seem to be more attractive. Bookings for Greece's main tourist destinations are understood to be down considerably.

The popularity of acquiring holiday villas has increased in recent years. However, in early 1983, a Supreme Court decision invalidated the purchase (in 1969) of real estate in Corfu by a London banker, owing to its location in one of the so-called sensitive border areas (as are most of the popular tourist islands). Foreigners cannot, as individuals, acquire real estate on such islands. They only can purchase the real estate through companies that must have a majority shareholding by Greek nationals. This has caused great concern among existing foreign owners of real estate on such islands such as Crete, Rhodes and Kos. Obviously, until the legal position is reexamined and clarified by the government, this could have a serious effect on the tourist property market in Greece.

Hercules D. Kontos
H.D. Kontos & Company
Athens

Geoff S. Parkinson
Horwath & Horwath (U.K.) Ltd.
London

From Italy

As anticipated in last year's edition of *Worldwide Lodging Industry*, 1982 was a favorable year for tourism in Italy. The hotel industry profited from this development. Occupancy increased about 2 percent.

Room rates increased about 20 to 25 percent for the second consecutive year, making Italian hotels far less attractive when compared with the hotels in other European countries. Nevertheless, operating costs are about the same as for hotels in other countries on the continent, resulting in rising prices in Italy. There are discussions within the industry about reorganization of Italian hotel services in order to reduce costs, but implementation of any ideas are not expected soon.

Many international hotel chains are exploring the possibility of establishing new facilities in Italy. Their presence in Italy probably will increase considerably in the next three or four years.

The operating trends for 1983 to date are similar to 1982 results.

Massimo de Rosa
Horwath & Horwath Italia sas
Rome

From the Netherlands

The Dutch hotel industry had a very good year during 1982. Occupancy increased 8 to 10 percent compared with 1981, especially for hotels in larger cities.

The industry experienced a very good summer season. Many visitors came to Holland to see the garden exhibition (Floriade) and stayed in Dutch hotels that were relatively inexpensive compared with comparable hotels in major cities worldwide.

The effects of the world recession on the country's hotel industry were minimal. Statistics show, however, that the increased income from foreign visitors experienced during the years 1973 to 1979 has come to a standstill because foreigners have shortened their length of stay and are spending less money. An increasing number of Dutch tourists are spending their holidays in the country, a development welcomed by owners of campsites. A decreasing number of Dutch tourists traveling abroad for their holidays are spending more money, resulting in a negative effect on the tourism balance of payments.

There has been a decrease in the number of conventions being held, the length of such events and the amount of money spent by attendees.

The results for the food and beverage sector of the hotel industry were poor because of the high cost for labor and a trend by hotel guests to patronize less expensive restaurants.

The number of business travelers is expected to increase while the number of tourists is expected to decline. Today's business travelers are more price conscious than they have been in the past.

Our forecast in *Worldwide Lodging Industry Midyear Commentary 1982-1983* that overall results will be lower in 1983 than in 1982 is confirmed by the data available for the first quarter of 1983.

H.M.P. Muller
Robert Ueshout
Revn. de Blaey en Co.
Amsterdam

From Norway

In 1982, there was a decline in the number of guest nights in the Norwegian hotel industry. The decrease of

3.8 percent was the first decline reported in 10 years and included mountain resort and city hotels. Average occupancy decreased to 53 percent in 1982 from 56 percent in 1981, which was primarily the result of a reduction in guest nights at mountain resort hotels. The average occupancy in Oslo was 75 percent, a slight decrease compared with the previous year.

The total number of guest nights was 1.4 million. Thirty-three percent were foreign visitors and 67 percent were Norwegian guests. Most foreign visitors were from Sweden, Germany, the United States and the United Kingdom. After the devaluation of the Swedish kroner in October 1982, the number of Swedish visitors decreased considerably. The number of visitors from the United States increased 13.9 percent during 1982.

The outlook for the industry is not optimistic. Heavy investments in resort hotels have lead to excess capacity and reduced overall profitability within the industry. The most attractive investment prospects during 1983 appear to be in Norway's five largest cities.

Svein S. Jacobsen
Lorange og Braende & Co.
Oslo

From Portugal

In 1982, the number of foreign visitors arriving in Portugal increased 0.3 percent to 7,299,293. During the past three years there has been a slowdown in the number of foreign arrivals, undoubtedly the result of the worldwide recession. Still, the above figure represents a new record for foreign arrivals in Portugal.

In 1982, the occupancy rate was 60 percent (including hotels, apartment hotels, motels and government inns), according to the government's Tourist Department. Compared with the previous year, there was an 8.5 percent increase in guest nights by Portuguese and a 2.1 percent increase by foreign tourists.

A considerable number of new hotel and tourism projects have been approved by the government. In addition, these projects have been granted direct credit or are subject to bonuses in accordance with the incentives provided for new tourism-related investments. The total financing granted for tourism projects direct from "Fundo de Turismo" and bank credit with bonuses paid by Fundo de Turismo increased to 3.6 million contos (one conto = 1,000 escudos), which corresponds to about 50 percent of the total investments. As a result of these investment incentives, many major hotel chains, including Novotel, Meridien, Sheraton and Sofitel, have invested in new hotel facilities in Portugal during 1982.

Because of the expected reduction in the price of crude oil and its effect on the economies of countries that have a direct influence on Portuguese tourism, there should be an increase in the demand for accommodations in Portugal and, as a consequence, an increase in revenue. We are optimistic about operating results for Portugal's hotel industry in 1983.

Humberto Leal
Horwath & Horwath (Portugal)
Lisbon Turismo, Lda.

Edward J. G. Davies
Horwath & Horwath (U.K.) Ltd.
London

From the Republic of Ireland

Although 1981 was another difficult year for the tourism industry in the Republic of Ireland, the number of foreign visitors arriving in the country increased 5 percent compared with 1981, while revenue increased 1 percent in real terms. Such results exceeded early predictions and reflected the upsurge experienced from the peak season onwards, after a disappointingly slow start to the year. Major factors contributing to the results were the late-booking trend and a noticeable switch to less expensive accommodations. Both of these factors are expected to be evident again in 1983.

For 1983, Bord Failte (the Irish Tourist Board) has targeted an overall increase in foreign arrivals of 4 percent compared with 1982. It is believed that this figure is achievable. The most promising source for travelers to Europe and Ireland in 1983 is the United States, where the strong dollar coupled with attractive air fares has produced increased traffic for two consecutive years. The number of visitors from the U.S. to Ireland is expected to increase in 1983.

The number of British residents holidaying abroad has increased rapidly in the last five years. Although Britain is still by far the most important tourist market for Ireland (60 percent of total overseas visitors in 1982), this country's market share has declined steadily due to a number of factors. Bord Failte, recognizing the problem, has mounted an intensive promotional campaign in 1983, and arrivals from Britain are expected to increase 5 percent in 1983. The prospects for growth in the number of visitors from Continental Europe in 1983 have been adversely affected by recent restrictive regulations in France, which was a particularly promising market, and the targeted increase of 4 percent may be difficult to achieve.

The domestic holiday market is not expected to be buoyant in 1983 because of the continuing recession. Nonetheless, promotions have been launched that are designed to increase the domestic share of spending on holidays by Irish residents, and the targeted increase is 3 percent. Promotional campaigns include "share and save," which allows visitors to avail themselves of a special room rate for up to four people sharing, and the "Tourist Menu," which offers fixed price meals of reasonable cost at participating properties. Particular emphasis is placed on increasing off-peak or "shoulder-season" business. In this connection, the Convention Bureau of Ireland is generating considerable revenue from both domestic and overseas markets.

The hotel industry continued to experience difficulties in 1982, and occupancies dropped 3.3 percent despite an increase in total visitors. This reflects both the increasing tendency for visitors to stay at budget "bed and breakfast" properties and for ethnic visitors to stay with relatives. Because of heavy dependence on food and beverage revenue, Irish hotels are affected particularly bad by the current recession. Significant numbers of redundancies occurred in the industry, and large numbers of properties failed to achieve profitability.

Nevertheless, there are hopeful signs for the industry. In April 1983, vigorous lobbying by the Irish Hotels Federation gained a concession from the government. The recently increased value added tax on room

sales was reduced from 23 percent to 18 percent. Very significant investment has occurred in refurbishing existing properties facilitated by the availability of European Investment Bank loans, although new construction is almost at a standstill. Training for the industry is coordinated by CERT (Council for Education, Recruitment and Training) and professional expertise at all levels is being made widely available to the industry.

Despite the delayed recovery from the international recession, the Irish lodging industry is well positioned to take advantage of an upturn when it arrives.

Ronan J. Nolan
Horwath, Haughey, Boland
and Company
Dublin

From Spain

Reflecting the importance of tourism to Spain, the new General Secretary of Tourism, Ignazio Fuejo, launched a program to assess existing tourism policies and those that will rule for the next four years. The General Secretary designated five major areas of focus:

- Coordination of all organizations affected by tourism policies.
- Development of a long-term strategic plan to assess the economic feasibility of tourism projects and their environmental impact.
- Modernization of the existing tourism facilities.
- Improvement in the professional quality of providing service.
- Encouragement of additional domestic tourist demand and further enhancement of foreign tourist demand.

The number of foreign visitors arriving in Spain during 1982 totaled 42,011,141 including 10,871,872 from France; 4,850,439 from the United Kingdom; and 4,777,817 from Germany. Total income increased 6.1 percent compared with 1981 to US $7.1 billion.

The General Subdirectory of tourism activities and enterprises estimates that the total number of double rooms with bath will increase 16.1 percent in 1983 broken down as follows:

5-star hotels + 2%
4-star hotels + 7%
3-star hotels + 18%
2-star hotels + 20%
1-star hotels + 21%

3-star hostels + 12%
2-star hostels + 16%
1-star hostels + 21%

Currently, next season is projected to be quite satisfactory even though there was some initial concern about the impact on French tourism to Spain due to the monetary restrictions decreed by the Mitterrand government. However, the French franc will still purchase more goods and services in Spain than in any other European country and, as a result, the negative impact of this policy will be lessened.

Fernando Termes Angles
Horwath & Horwath España, S.A.
Barcelona

From Sweden

The total number of bed nights in Swedish hotels decreased 1.2 percent in 1982 compared with 1981. The decline was due mainly to a decrease in demand in resort hotels as well as commercial hotels outside Stockholm.

Resort hotels in mountain areas had a very bad 1982 winter season, with bed occupancies dropping in some cases almost 20 percent. However, in Stockholm, bed nights increased about 3.6 percent in 1982, the result of a promotional campaign by city officials and Stockholm's hotel managers designed to attract Swedes for short weekend holidays and summer vacations.

The demand from foreign tourists generally has been stable during 1982, with only a minor drop in overall demand. In Gothenburg, the number of foreign tourists from Continental Europe decreased sharply when a major ferry line decided to reduce its capacity on the line between Gothenburg and Amsterdam.

In Stockholm, there was a growth in demand but because of an increase in the supply of rooms, occupancies dropped slightly in 1982. During the next three-year period, 1,500 rooms will be added to Stockholm's supply and occupancies are expected to decrease further. Room occupancies are expected to decrease also in Gothenburg because of an increase in supply. During the next three to four years, almost 1,000 rooms are expected to enter the market.

In 1983, hotels in Sweden are expected to feel the full effects of the current recession. So far, most city hotels have been able to keep occupancies stable but during the next six to twelve months demand is expected to decline, particularly for the convention sector of the market. However, managers of resort hotels in the mountain areas expect 1983 to be a better year than 1982 because of the devaluation of the Swedish kroner at the end of 1982. Swedish resorts also have become attractive to Swedes. Holiday trips to ski resorts in the Alps have become much more expensive, so Swedish skiers prefer to stay in their own country.

Since July 1982, the number of Swedish tourists traveling abroad in charter groups have been decreasing, and the trend continues into 1983. The number of tourists traveling in charter groups is expected to stabilize at a much lower level comparable with the mid-1970s.

Because of the devaluation of the Swedish kroner, Sweden has become less expensive as a tourist country and represents more value for the money for foreigners and Swedes. As a result, the tourist industry expects a good 1983 summer season. The popularity of camping is increasing rapidly. In 1982, the number of camping nights increased 7.4 percent, making camping the fastest growing sector of the Swedish tourism industry. This trend is expected to continue during 1983 and into the mid-1980s.

Kai Ringenson
Horwath & Horwath Sweden AB
Stockholm

From Switzerland

In 1982, 76.5 million guest nights were recorded in Switzerland, including 36.9 million attributable to foreign visitors. Compared with 1981, the total number of guest nights in 1982 represents a decrease, although not necessarily in the actual number of guests. The average stay was also reduced.

In general, the winter 1982-83 season was good. And what about the outlook for summer 1983? Since bookings are now often made on

short notice, no particular trend can be immediately determined. Operating results for 1983 are expected to be similar to the previous year, although there will be regional differences. For example, the tightening of currency restrictions in France will have an effect in western Switzerland.

Ruedi F. Fleischmann
Horwath Treuhand & Revisions AG
Zurich

From the United Kingdom

The underlying trends in the United Kingdom remain similar to those reported before. The country has been suffering from an economic decline with a high level of unemployment. But many who are working, particularly those in high income brackets, have higher disposable incomes than before the present government was elected in 1979. Inflation has fallen dramatically, the currency remains relatively hard against the currencies of most potential tourist destination countries except the United States, and there are none of the currency restrictions that had previously existed for some 50 years.

The main potential for growth still lies in the short holiday market, which has particular implications domestically as well as implications for foreign holidays.

The outlook in some areas seems to be distinctly brighter. As we have consistently forecast, conditions thus far in 1983 are buoyant and, in some cases, boom conditions are returning to upper market central London hotels with increasing levels of demand also for other categories. This partly reflects the decline in parity between sterling and the U.S. dollar, but it is also thought to reflect improved trading conditions generally.

We also have forecast that recovery would tend to be later in the provinces than in London, and this is the trend that seems to be emerging.

The ownership structure of the industry in the U.K. continues to change. Following Grand Metropolitan's purchase of the Intercontinental group and its subsequent sale of many of its provincial, and a few of its London, properties, the company has indicated that more of its London properties are for sale. British Transport Hotels has been "denationalized" with almost all its hotels sold to the private sector. And the Churchill and Montcalm Hotels in central London were purchased from Loews by a consortium based in Kuwait.

A number of new hotel groups are emerging, such as Sea Containers, which previously operated the Hotel Cipriani in Venice and the Orient Express and which purchased three of British Transport Hotels' most prestigious "chateau" hotels, the Virani Group, Sarova and Queen's Moat Houses (a company that already existed but which has now doubled in size).

Any comment about future trading trends must be affected by the results of the recent general election. It is to be hoped that the newly elected government will assist and encourage the U.K.'s tourism industry and not just meddle in it.

Jonathan A. Bodlender
Horwath & Horwath (U.K.) Ltd.
London

From West Germany

The West German hotel industry had a difficult year during 1982. The total number of guest nights decreased 4.1 percent. Hotels with 100 or more beds reported a 0.3 percent increase in room nights, which was mainly a result of an increase in the number of foreign visitors. Foreigners spent less money during their stay in Germany while the amount of money spent abroad by Germans remained unchanged.

Overall, hotel revenue declined as a result of the worldwide recession, cost-saving campaigns by industry, increased unemployment and less personal disposable income. Because of rising costs, profits were down for many hotels.

New hotels continue to be constructed by international hotel chains and German groups. Most larger cities in West Germany have an adequate supply of rooms, which is resulting in new developments for smaller towns or the takeover of smaller facilities in choice locations near main population areas.

An anticipated economic recovery during the second half of 1983 should create rising demand for accommodations. However, price conscious travelers will continue to be the norm, so it will be difficult to increase average rates. There should be an improvement in profits if the actual rate of inflation is maintained and wages are not increased.

Kurt R. Gelbert
Horwath & Gelbert GmbH
Frankfurt am Main

Latin America and the Caribbean

The comments for Latin America and the Caribbean were compiled by Eliberto J. Gracia, Regional Director of those areas for Horwath & Horwath International, based on information provided by the local HHI member firms in the regions. Gracia is based in Laventhol & Horwath's Miami office.

From Argentina

During 1982, Argentina's lodging industry was affected by the conflict in the South Atlantic. During the period April through July, the occupancy rate decreased 30 percent, forcing hoteliers to reduce daily rates. During August, September and October, however, more than the usual number of travelers (mostly from bordering countries) arrived in Argentina, reversing the trends experienced during the first half of the year.

Overall, in 1982 there was a slight decline in occupancy and a substantial decrease in average rates, which still resulted in a reasonable return because of only a slight gap between total sales and operational costs.

There was no significant change in the room supply for five-star hotels in Buenos Aires, and the managers of these facilities made permanent improvements to their services.

Mar del Plata, Mendoza, Cordoba, Bariloche and Iguazu, traditional tourist attractions that operate on a seasonal basis, did well in 1982. During the winter season, there was a very heavy demand for rooms by foreign

visitors, resulting in 100 percent occupancy.

Raúl A. Nazer
Cánepa, Pestarino, Nazer
y Asociados
Buenos Aires

From Brazil

As a result of the worldwide recession, 1982 was one of the most difficult years in the history of the Brazilian hotel industry. The flow of international tourists declined because of increased airline rates and the conflict in the South Atlantic. The number of domestic travelers also dropped because of local economic conditions.

The average hotel occupancy for all of Brazil during 1982 was about 52 percent.

Tourism in Brazil generated about US$1.35 billion in 1982, according to Miguel Colassuono, president of EMBRATUR (Brazilian Tourism Organization). About 1.2 million foreign tourists, primarily from Canada, the United States, Germany, Denmark, Chile, Venezuela, Spain, Italy, England and Switzerland (countries where EMBRATUR conducted aggressive marketing campaigns) visited Brazil. There was increased demand for three- and four-star hotels and for destinations other than Rio de Janeiro, according to EMBRATUR statistics.

EMBRATUR also reports that about US$160 million was spent to stimulate tourism during 1982, especially in the northern and northeastern parts of the country.

Projections for the lodging industry in 1983 are brighter because domestic tourism is expected to increase as a result of the federal government's ban on foreign travel by Brazilians.

Salvador Francisco Conti
Soteconti Auditores
Independentes S/C
Sao Paulo - SP

From the Caribbean

The hotel industry in the Caribbean is still suffering from the recessionary effects on its principal markets. This situation has been further compounded by Mexico's increased competition as a tourist attraction because of its currency devaluation and by the inability of Venezuelans to travel to the Caribbean as frequently as before. Some islands have fared better than others, but the overall picture for the area is not favorable.

Hoteliers in the Caribbean need to use their expertise and marketing resources to improve the situation. One of the first steps could be an analysis of hotel operations in the area to determine what, besides decreased demand, ails the industry.

From Chile

In 1980, 420,000 tourists visited Chile. By 1982, the number had decreased to 263,250. This reduction in the volume of foreign visitors, which was 37.3 percent during 1980-1982, is partially attributed to a decline in the number of tourists from Argentina. This decline also resulted in a decrease in income from tourism, from US$166 million in 1980 to US$123 million in 1983.

The Chilean tourist market is composed mainly of South Americans. In 1980, 75 percent of all tourists were from South American countries. By 1982, this proportion was reduced to 61.9 percent as a result of the significant decline in tourist traffic from Argentina. In 1982, North Americans represented 8.1 percent of all tourists arriving in Chile; Europeans, 17.5 percent.

There was a slight increase in the number of lodging establishments, as well as the rooms and beds supply, during the years 1980-1982. In 1981, the number of lodging establishments increased 18.92 percent compared with 1980, but only 9.39 percent in 1982 compared with 1981. The rooms supply increased 15.79 percent in 1981 compared with 1980 but increased only 1.36 percent in 1982 compared with the previous year.

The total number of travelers registered in lodging establishments in Chile was 1,168,263 in 1982 compared with 1,248,195 in 1980. In 1982, seventy-six percent of registered guests were domestic travelers and 24 percent were foreign guests.

In 1982, the total amount of money loaned by CORFO and the Banco del Estado for hotel and tourism facilities was reduced 5.53 percent compared with 1981.

The number of foreign tourists arriving in Chile is expected to increase in 1984 due, in part, to promotional campaigns designed to attract foreign travelers.

Ramón A. Espejo F.
Ramón A. Espejo F.
y Asociados Ltda.
Santiago

From Colombia

Visitors to Colombia primarily come from Europe, the Netherlands Antilles, North and Central America, the Caribbean and South America. During 1982, total tourist arrivals increased 6.4 percent compared with the prior year.

Hotels in Bogota attained the highest occupancy in the country with an average of 78 percent, while hotels on the Caribbean coast reached an average occupancy of 73 percent. Other areas dropped to 64 percent. The average room rate for 1982 was about US$38.

The number of available hotel rooms in Colombia reached 32,827 with the addition of the Dann Colonial Hotel in Bogota and the Posada Alemana in Armenia.

Some of the leading international hotel chains plan major developments, including the 600-room addition to the Bogota-Hilton, which is proceeding on schedule under the direction of Jose E. Zabala.

From the Dominican Republic

The tourism industry in the Dominican Republic continues to represent one of the most important economic activities in the country. The third largest earner of hard currency for the country produced US$266 million in 1982, an increase of 29 percent compared with 1981.

During 1981, a total of 603,430 visitors arrived in the country compared with 613,744 visitors in 1981. The decline is small considering the decreases that occurred in other Caribbean countries and the recession in the United States, whose citizens represent the major portion of all foreign visitors arriving in the Dominican Republic.

Government authorities continue to offer excellent incentives to nationals and foreign investors in the hotel and tourism industries, making the Dominican Republic one of the best tourism

investment opportunities in the Caribbean. The Secretaria de Estado de Turismo is conducting promotional campaigns in the United States, Canada and Europe designed to increase and strengthen the image of the country as a tourism destination in the Caribbean.

The development of the Playa Dorada project on the north coast of the island continues with the construction of new hotels, including a Holiday Inn, Village Caraibe, Melia, Naco, Hyatt, Eurotel and others. In Santo Domingo, an agreement has been signed for the complete overhaul and refurbishment of the Iaragua Hotel and Casino. Also in Santo Domingo, the Lina Hotel and the Eurotel Santo Domingo are under construction, as well as the Puerto Laguna project on the east coast. All these hotels will have more than 200 rooms each and will add many rooms to the tourism facilities of the Dominican Republic.

Sotero A. Peralta
Sotero Peralta y Asociados
Santo Domingo

From Mexico

The number of tourists arriving in Mexico in 1982 decreased 6.7 percent compared with 1981, according to the Banco de Mexico. This decline in foreign visitors is attributed to the worldwide recession, high room rates at the beginning of the year and poor marketing strategies. Fewer Mexicans traveled outside the country in 1982 compared with 1981.

Tourism within Mexico improved despite a 40-day airline strike that began in November, restricting the number of airplane seats by 60 percent.

Because a bad economy resulted in a reduction in the number of business travelers, hotel occupancy during the first nine months of 1982 decreased 7 percent in Guadalajara and Monterrey, and 7.3 percent in Mexico City.

The devaluation of the peso stimulated foreign tourism at the end of 1982, resulting in a highly competitive tourist market and an improved image for the country's tourism industry.

During the first two months of 1983, the number of foreign visitors increased about 15 percent and resort areas, such as Cancun and Puerto Vallarta, reported an 18 to 20 percent increase compared with the same period in 1982.

Germán Maldonado
Maldonado, Duplan, Colina y Asociados, S.C.
Mexico City

From Panama

A joint effort by the public and private sectors will be necessary to improve the hotel industry in Panama, which has been adversely affected by economic conditions. Average occupancy for first-class Panamanian hotels during 1982 was about 64 percent, while occupancy for first- and second-class hotels reached 57 percent. The average stay was about 2.7 days.

The Marriott Hotel, located next to the new Panama Convention Center, was acquired at auction by the Caesar Park group from Brazil and renamed the Marriott Caesar Park Hotel.

E. Espino
Audiconta, S.A.
Panama City

From Puerto Rico

The hotel industry in Puerto Rico has not shown any significant improvement. The average occupancy rate for fiscal 1981-82 was 60.4 percent compared with 62.3 percent from the previous year. Low occupancy rates combined with rising expenses are hurting hotel operations.

The closing of three hotels (El San Juan, Gran Bahia and Rio Mar) during March-April 1983, with about 1,000 rooms, are signs of an unhealthy industry. Well-informed sources believe that this could have a negative effect on the travel trade. The currency devaluations in Mexico and Venezuela, two important foreign markets, represent an additional threat to the industry.

Nevertheless, the government is making an honest effort to help the tourism industry. The Tourism Company successfully secured an increase in its budget for promotion and advertising. Legislation has been proposed to provide certain tax incentives to the lodging industry, including exemption from property, municipal and excise taxes during a specified number of years under certain terms and conditions. In addition, the proposed legislation calls for an investment tax credit on eligible property, as defined, to encourage reinvestment in the hotel industry.

Despite the impact of the current economic situation, two government-owned hotels, Gran Hotel El Convento and Condado Beach Hotel, recently have been refurbished and reopened under new management.

The San Juan-Puerto Rico Convention Bureau, with its revitalized budget, is actively promoting conventions and groups, especially incentive travelers. The latter group, people recognized for their work achievements, are considered a very important market. Also, the World Veterans Games, a major event that will take place in September 1983, is expected to attract about 7,000 participants.

With the combined efforts of the government and the private sector, the industry should be able to show substantial improvement during the next two fiscal years.

Abimael Sémprit
Laventhol & Horwath
San Juan

From Uruguay

The number of tourist arrivals in Uruguay during 1982 was half that of 1981, because of poor economic conditions in Argentina and fluctuations in the exchange rate between both countries.

Occupancies in commercial hotels in Montevideo, the capital city, were lower than 30 percent. Occupancies in tourist hotels were 20 percent at the beginning of the year (summer season 1981-1982) and between 30 and 40 percent by year-end (summer season 1982-1983). Average rates ranged between US$16 and US$40.

On November 26, 1982, the Uruguayan Government discontinued the policy of preannounced exchange rates. Since that date, the Central Bank has not participated in the foreign exchange market. Thus, the exchange rate depends on private demand and supply. As a result, the foreign exchange rate rose sharply from N$13.80 to N$32 to the dollar. This situation prompted an increase in

Argentinian tourists in December 1982 and in January and February 1983 (summer season 1982-83).

Fulvio R. Pérez
Marty Pérez y Asoc.
Montevideo

From Venezuela

As a result of the worldwide recession, the lodging industry in Venezuela experienced a slight decline in occupancy during 1982. Business travelers accounted for 85 percent of the demand. The tourist demand has been considerably less for quite some time.

It is hoped that the recent decrease in the official exchange rate between the bolivar and the U.S. dollar will increase the demand for tourist accommodations. Not only has a vacation in Venezuela become less expensive for foreign visitors, but more Venezuelans will be traveling domestically due to the curtailment of travel outside the country.

Juan A. Seit
Seit Valeri & Acosta
Caracas

North America

From Canada

Most operators ended 1982 happy to have maintained their market share of depressed occupancies and declining food and beverage revenue. It is possible that 1982 will prove to have been a critical year for the lodging industry in Canada, since it may have propelled many operators into an in-depth evaluation of every aspect of their business.

Those who consciously examined their operations with a view to increased productivity, operating efficiency and marketing targets found themselves positioned for maximum advantage in the apparently hesitant upturn in the first two quarters of 1983. Convention bookings for the second half of the year appear to be strengthening, reflecting the traditional six- to eight-month lag between industry sales and the rest of the economy.

Two segments of the industry held their own, and to some degree showed continued growth, during 1982: luxury hotels and budget properties. Both segments had the comparative advantage of clear positioning with consumers, which allowed for easier identification of, and marketing to, target groups. The ability of luxury and budget properties to withstand Canada's recession is reflected in the number of mid-range properties being upgraded in a move to reposition themselves as luxury hotels, and in the explosive growth of budget chains.

The performance of budget chains during 1982 indicates that they likely will become a dominant factor in the industry during the near term. Luxury hotels, although unlikely to expand as rapidly as budget, will continue to enhance their market share.

Business travel declined during 1982 in the wake of the recession's effects on the business community. Corporations reduced per diem travel budgets, sent fewer representatives to meetings and conventions, and held fewer, shorter and regional rather than national meetings for their own personnel. Little improvement in corporate travel is likely until the fall with full recovery improbable until 1984. The economy will have to show signs of a sustained recovery, particularly in terms of corporate profitability, before companies will increase their corporate travel budgets.

The 10 areas covered in Laventhol & Horwath's Canadian Trends all registered occupancies below 1982 levels. Only three regions in the survey were able to report increased food and beverage sales compared with 1981. However, four regions recorded room revenue increases in 1982 compared with the previous year.

While affected by the recession—especially when compared to the growth experienced during the mid-1970s—the lodging industry was not as severely damaged as other sectors of Canada's economy. The industry, and tourism in general, remained healthier than the overall economy. Tourism continued to generate about 5 percent of the country's gross national product, while employing nearly 10 percent of the labor force.

Although many capital expenditure programs were delayed because of the economy, a number of major international and national chains proceeded with plans for significant expansion projects. Projects are underway in St. John's, Halifax, St. John, Charlottetown, Montreal, Toronto, Hamilton, Ottawa, Winnipeg, Saskatoon, Regina, Edmonton, Calgary and Vancouver. A number of new resort properties were opened during the 1982-83 season in British Columbia and Ontario.

Financing for those and similar developments reveals certain trends:

- More mixed-use projects incorporating hotel, office, commercial space and apartments within one development.
- More equity than the financing arrangements common to the 1970s of 25 percent equity and 75 percent debt.
- Equity created through either public or private syndication.

These financing trends demonstrate a strong level of confidence in the industry's growth prospects for the mid-1980s, especially when combined with the renewed commitment to tourism development expressed in the spring budgets of the federal and provincial governments.

Mitchel A. Smith
Laventhol & Horwath
Toronto

From the United States

As shown in the table on page 23, the lodging industry in the United States continued to experience difficulties in the first four months of 1983. For nearly 40 consecutive months, occupancy has dropped about 2 to 3 percent compared with the same month in the prior year. However, there are some signs that the long awaited turnaround is near. Properties in the Southeastern U.S. have shown continuing strength through the first quarter of 1983, and occupancy rates have risen by nearly 8 percent over the first quarter of 1982. In addition, properties that have more than 600 rooms and those located in resort areas also have experienced occupancy increases over the previous year's results.

Several other factors have arisen over the past several months to create a feeling of optimism for the near term in the U.S. lodging industry. Gasoline

prices have fallen 9 percent since spring 1982 and remained relatively stable during the last several months. The third phase of the Federal tax cuts was implemented July 1, 1983, and this should have a positive impact on the financial resources of consumers. These two factors, coupled with only modest increases in room rates over the past six months, indicate that travel costs this summer should be about the same as a year ago. Based on these and other positive trends, the U.S. Travel Data Center projects a 12 percent increase in vacation travel in the U.S. this summer compared with 1982.

Other factors that point to future growth in the lodging industry are reductions in the unemployment rate, increased industrial production, which in May 1983 was at its highest level in three years, and the stability of interest rates at lower levels. The reduction in interest rates will apparently spur renewed construction of lodging properties. In recent months, both Holiday Inns, Inc. and the Marriott Corporation have announced the development of new hotel concepts. These ventures will require the construction of new facilities and are designed to project each company into new market areas.

With the U.S. economy finally crawling out of its recessionary spiral, growth for the lodging industry should not be far behind. Historically, the lodging industry has followed overall economic improvements by about six months, and we expect occupancy rates to show increases in the third quarter. While it may take some time to reach the levels of the late 1970s, an increase of about 2 to 3 percent can be expected for 1983.

Saul F. Leonard
Laventhol & Horwath
Los Angeles

UNITED STATES: YEAR TO DATE TREND REPORT (as of APRIL 1983)

	Sales Percent Change				Occupancy Percent		Double Occupancy Percent		Room Sales Per Occupied Room		Total Sales Per Occupied Room	
	Total	Rooms	F&B	Other	APR	% Chg	APR	% Chg	APR	% Chg	APR	% Chg
Total	0.7	1.4	0.9	1.7	64.0	2.1	51.2	6.0	$51.38	2.8	$ 78.19	2.1
Region:												
Northeast	3.9	3.4	3.9	8.9	62.3	*	37.1	10.1	$65.75	4.2	$103.80	4.7
Southeast	9.5	12.3	3.5	5.6	76.6	7.9	87.6	6.6	55.63	1.3	81.92	1.3
North Central	0.3	1.4	1.8	1.7	54.3	1.3	35.3	1.7	38.49	2.8	62.69	1.6
South Central	11.4	12.1	9.8	10.7	60.6	12.7	38.2	0.3	48.23	0.2	72.11	0.7
West	3.5	4.5	1.0	6.7	67.2	2.2	51.0	0.6	49.45	5.8	73.52	4.7
Affiliation:												
Chain	0.9	1.3	0.5	3.7	64.6	2.7	48.6	7.5	$49.95	2.8	$ 74.50	2.4
Independent	0.1	1.6	1.9	3.6	61.4	0.5	61.3	2.2	57.17	2.6	93.20	1.1
Location:												
Center City	1.2	0.8	2.5	3.2	60.1	2.9	41.4	5.1	$62.09	2.0	$ 97.32	1.7
Suburban	4.5	5.3	2.9	4.6	61.1	6.7	38.3	1.9	44.84	0.7	69.81	1.6
Highway	7.9	8.6	5.5	3.1	65.3	0.3	61.5	12.0	35.99	6.2	48.90	5.5
Airport	2.8	2.9	2.9	0.3	68.6	4.7	31.4	4.0	47.01	1.3	72.24	1.4
Resort	5.1	7.6	1.2	0.2	71.0	2.7	95.8	3.2	69.09	3.9	107.70	1.5
Size:												
Under 150 Rooms	0.7	1.1	0.4	*	61.7	3.9	54.8	3.2	$35.25	5.2	$ 47.05	4.8
150 to 300 Rooms	1.3	0.6	2.5	3.0	64.8	2.6	47.9	5.5	45.95	1.9	69.60	1.3
300 to 600 Rooms	2.0	1.8	2.3	1.8	62.4	3.9	51.6	2.8	59.99	0.7	95.80	0.5
Over 600 Rooms	5.3	6.7	2.2	6.2	67.1	2.6	52.7	13.8	71.94	1.5	113.67	0.1
Type:												
Hotel	0.6	*	1.9	0.9	63.4	3.2	46.1	3.8	$64.10	2.6	$104.32	2.0
Motor Hotel	3.7	4.2	2.0	5.8	66.2	0.9	58.3	9.4	42.38	3.4	59.35	2.9
Economy	0.5	0.7	12.3	22.1	58.6	2.7	49.2	1.0	25.80	4.7	27.16	4.5

*No change from April 1982
Source: *National Trend of Business in the Lodging Industry*, Laventhol & Horwath

The Worldwide Lodging Industry Report

by

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Research and Development Division
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Laventhol & Horwath

Introduction

In December 1982, Horwath & Horwath International (HHI) distributed nearly 2,500 questionnaires to hotels around the world. More than 700 of these questionnaires were completed and returned to the Research and Development Division of Laventhol & Horwath, a member of HHI. After careful review for reasonableness and accuracy, 652 questionnaires were selected for use in compiling the data for this report.

The 13th edition of *Worldwide Lodging Industry* conforms closely to the guidelines first used in the 1982 edition of this publication. The data are presented in five sections, each covering a different region of the free world. Together, these sections form the 1983 edition of *Worldwide Lodging Industry*. Table 1 shows the various sections and the respective geographic areas they cover.

Table 1

Section	Region and Subregions
I	Africa and the Middle East (Region I)
	Northern Africa
	Southern Africa
	Middle East
II	Asia and Australasia (Region II)
	Asia
	Far East
	Pacific Islands
III	North America (Region III)
	Canada
	United States
	Caribbean
IV	Europe (Region IV)
	Continental Europe
	Scandinavia
	United Kingdom
V	Latin America (Region V)
	Mexico
	Central and South America

In addition to the information for the five regions, this report contains amounts and ratios for 14 subregions that are presented within their appropriate regions. Increased participation by Latin American respondents to our questionnaire provided sufficient data to expand the subregional reporting to 14 from the 12 presented last year. Also, some additions to the regional reports were implemented to provide contributors with more comprehensive data that more closely reflect the operating characteristics of hotels in their regions. Specifically, market data, nationality of guests, and the source and distribution of the lodging industry dollar have been added to each regional presentation. In succeeding years, this study will be designed to make each regional report as self-contained as the data permit. As in previous editions, medians are shown for most amounts and ratios, while arithmetic means are used in selected schedules.

The terminology and account titles used in this study are based on the seventh revised edition of the *Uniform*

Systems of Accounts for Hotels. An explanation of the terms and basis used is given in Appendix I.

All amounts in this report are in 1982 U.S. dollars converted at the year-end exchange rate, which was obtained from the International Monetary Fund. The countries containing hotels that contributed to the 1983 study, along with the currency conversion factors used, are listed by region in Appendix 1 on page 100. Fluctuations in currency values can have significant impact on U.S. dollar values. In 1982, the strength of the U.S. dollar was evident as it reached some of the highest conversion levels recorded against some currencies. When comparing this study with the 1982 edition, those currency fluctuations should be considered. To make this comparison easier for the analyst, each appendix also shows the currency factors used in last year's study and the percent change from 1982 to 1983.

Dollar amounts are shown per available room to eliminate differences due to the size of the hotels. Ratios to total sales and to room sales are used wherever appropriate. Except where noted, all amounts and ratios are medians and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only, since all hotels did not report for each line. Comparisons can be made line by line with the information in the reader's report. The amounts and ratios should not be considered standards for any type of property or for any country or region, but only as guidelines for comparison with the operating results of a specific property. They are not an attempt by Horwath & Horwath International to set or conform prices or operating ratios for the industry.

Profile of contributors

The age, size and other characteristics of the typical contributor to this study, as determined by various measures of central tendency such as the mean, median and mode, are shown in Exhibit 1. Overall, the contributors represent a broad sample of the industry, but as shown in this exhibit, the typical contributor is particularly representative of the major segments of the industry.

The highlights of the analysis of operating results are presented in Exhibit 2. Most of the industry's key performance measures declined during 1982, primarily as a result of the ongoing economic pressures experienced worldwide in 1982 and the continued strength of the U.S. dollar. With declines in occupancy rates and room rates, total revenue per room declined 10.8 percent from the previous year's level. This significant decline in asset utilization resulted in a sharp drop in profit margins for the year, with income before income taxes off 23.7 percent on a per room basis.

Exhibit 1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
All Hotels

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	150–299 rooms
Occupancy	60%–69%
Average Rate	$40–$54.99
Restaurant Operation	Operated a restaurant in which the volume of food and beverage sales is between 70% and 80% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before income tax in 1982

Exhibit 2
Highlights*
All Hotels

- Total revenue decreased 10.7 percent on a per room basis.
- Room occupancy declined 4.5 percent to 65.4 percent compared with 68.5 percent in 1981.
- The average daily rate per occupied room was $46.41 compared with $49.78 in 1981, a decline of 6.5 percent.
- Payroll and related expenses per room increased 30.9 percent from $7,996 to $10,469.
- Income before income taxes declined 23.7% on a per room basis.

*Based on medians.

The source and distribution of the 1982 worldwide lodging industry dollar compared with the previous year are shown in Chart 1. To reflect accurately the impact stemming from different size properties, the dollar is based on weighted means. As the chart illustrates, the portion of revenue generated by each of the sources remained relatively stable in 1982, with only a slight decline in room revenue and slight increases in revenue from minor operated departments, and rentals and other income being reported. On the expenditure side, sharp increases in payroll and related expenses, rent and interest expenses and smaller increases in marketing expenses, departmental expenses, and depreciation and amortization were reported. With only food cost, administrative and general, and property operations and maintenance expenses showing slight declines, the bulk of the additional expenses fell to the bottom line. As a result, income before income taxes dropped 30.4 percent to 8.7 percent in 1982.

Market data

The percentage of guests from foreign sources reversed the declining trend that began in 1978, climbing 9.3 percent over the corresponding ratio of the previous year. This trend was also apparent in the percentage of repeat business, which declined in 1981 but rebounded sharply in 1982. The percentage of guests traveling for pleasure also reversed a four-year trend, rising almost 24 percent over 1981 levels to comprise 30 percent of all business in the reporting hotels. Even such a sharp increase in tourist travel in 1982 was not enough to bring tourist levels up to those achieved in the three years prior to 1981. While business travelers still represent the largest segment of the guest market, business travel was off in 1982 as was travel by government officials. For the fourth consecutive year, advance reservations made directly to the hotels showed a slight increase, while travel agents and tour operators regained the share of the market they lost in 1981. The five-year comparison is shown in Exhibit 3.

Exhibit 3
Market Data*
Five-Year Trend—All Hotels

	1982	1981	1980	1979	1978
Source of Business					
Domestic	42.2%	47.1%	46.1%	42.8%	37.4%
Foreign	57.8	52.9	53.9	57.2	62.6
Percentage of Repeat Business	39.1%	37.8%	40.0%	38.2%	35.7%
Composition of Market					
Government Officials	5.5%	6.8%	6.1%	6.2%	5.5%
Businessmen	41.5	44.6	42.0	40.5	40.2
Tourists	30.0	24.2	20.7	30.9	33.5
Conference Participants	13.7	13.5	10.8	12.8	10.7
Other	9.2	10.9	10.4	9.6	10.1
Percentage of Advance Reservations	81.4%	83.4%	80.0%	79.3%	80.8%
Composition of Advance Reservations					
Direct	36.0%	35.5%	35.3%	33.1%	29.9%
Reservation Systems	31.6	26.5	27.4	27.1	24.9
Travel Agents & Tour Operators	27.8	26.8	27.7	28.5	32.3
Other	6.4	11.2	9.6	11.3	12.9
Ratio of Travel Agent Commissions to Room Sales	1.2%	1.0%	1.8%	1.8%	2.2%

*Arithmetic mean

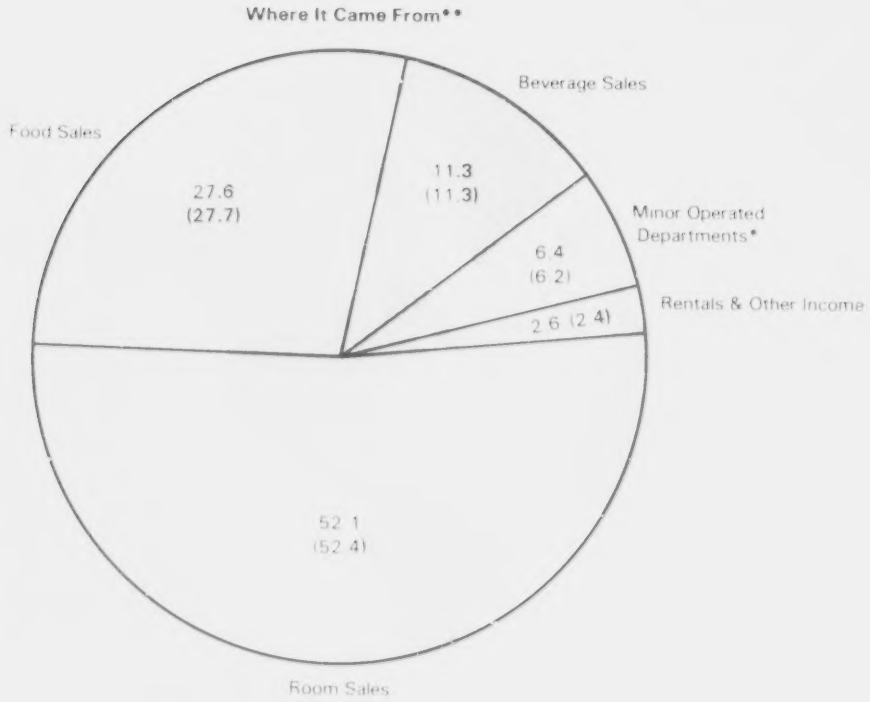
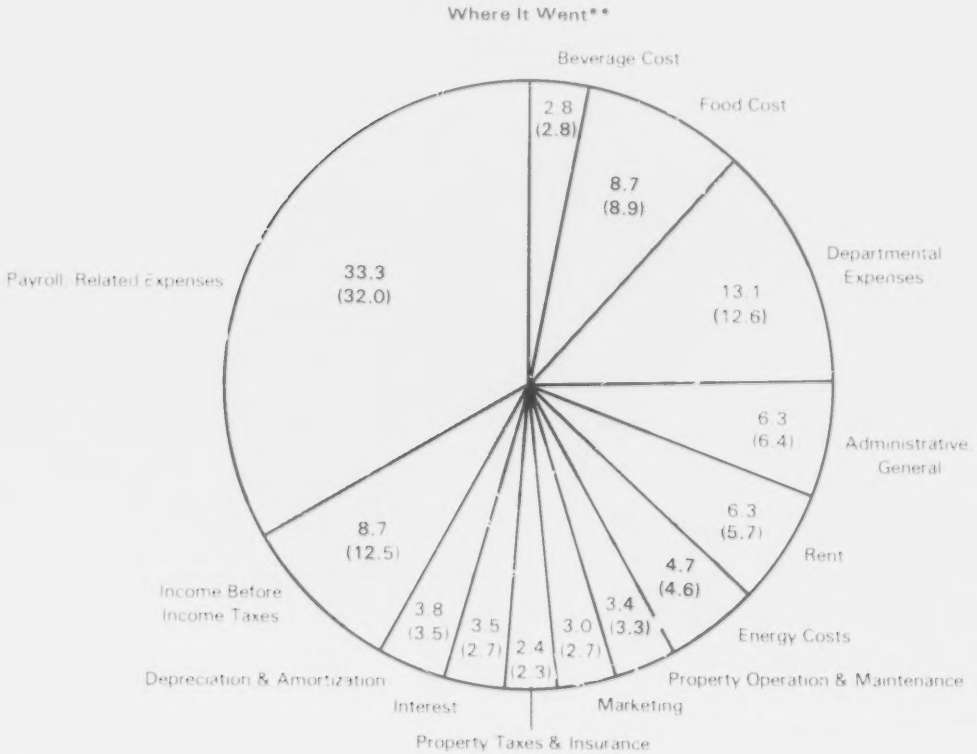


Chart 1: International Hotels
Percentage Distribution of Revenue and Expenses



*Including Telephone
**1981 Percentage in Parentheses

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The source of business and composition of the market for the regions are shown in Exhibit 4. Sharp differences from the 1982 study were reported in the percentage of domestic versus foreign travel. The shifts in source of business were particularly evident in North America and Europe as both those regions reported sharp increases in foreign travel, up 75.3 percent and 17.5 percent respectively.

Conversely, foreign travel to Latin America declined almost 14 percent in 1982. Compared with 1981, the percentage of tourists rose sharply in North America and Latin America. The increase was so pronounced in North America that it was the only region where business travelers were not the largest segment of the market.

Exhibit 5 shows the nationality of guests by region. In 1982, major advances in the ranking were recorded by Canadian, Scandinavian and Mexican travelers as each rose four positions in the rankings. With travel by Canadians up almost 77 percent, they moved to third position in the rankings. Most other nationalities remained near their 1982 levels, with

Exhibit 4
Market Data*
All Hotels

	All Hotels	Africa and the Middle East	Asia and Australasia	North America	Europe	Latin America
Source of Business						
Domestic	42.2%	31.0%	33.9%	58.1%	38.9%	53.2%
Foreign	57.8	69.0	66.1	41.9	61.1	46.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	39.1%	29.8%	43.5%	40.7%	39.5%	41.8%
Composition of Market						
Government Officials	5.5%	10.1%	6.7%	5.1%	3.4%	5.8%
Businessmen	41.5	50.6	43.6	28.2	49.1	43.4
Tourists	30.0	18.2	31.0	40.6	23.7	35.3
Conference Participants	13.7	7.1	6.3	20.6	13.0	10.9
Other	9.2	14.0	12.4	5.5	10.8	4.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	81.4%	73.2%	76.6%	83.3%	87.0%	73.0%
Compositions of Advance Reservations						
Direct	36.0%	37.8%	21.8%	34.8%	41.3%	32.5%
Reservation Systems	31.6	29.4	39.5	34.0	27.6	34.2
Travel Agents & Tour Operators	27.8	24.2	32.8	29.0	26.5	29.3
Other	6.4	8.7	5.9	2.2	4.6	4.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio of Travel Agent Commissions to Room Sales	1.2%	0.7%	1.5%	1.2%	1.3%	1.3%

*Arithmetic mean

American and British travelers firmly holding onto the first two positions. Continuing the trend reported in last year's study, both American and British travelers showed increases in travel from the preceding year. Interestingly, while Mexican travelers moved up four positions in the rankings, travel by this group seemed to be limited almost exclusively to Latin America, since travel by Mexicans to other regions either declined or remained constant with 1982 levels. This is largely due to that country's current economic condition, which makes travel abroad prohibitive.

Since Exhibit 5 can be used as a guide to destinations preferred by the citizens of the countries listed, it provides information that should be particularly useful in developing marketing strategies. Hotels within a specific region may want to reinforce the attractiveness of their area to nationalities who already are frequent visitors or market their area to nationalities who generally do not travel to that region.

Exhibit 5
Nationality of Guests—1982*
All Hotels

	Rank							
	1982	1981	All Hotels	Africa and the Middle East	Asia and Australasia	North America	Europe	Latin America
American	1	1	24.4%	12.8%	16.2%	51.3%	12.6%	29.3%
British	2	2	13.4	11.1	7.3	5.2	23.9	1.1
Canadian	3	7	9.2	1.6	2.6	30.3	1.4	5.0
German	4	3	8.5	5.3	6.0	1.7	16.2	1.9
Scandinavian	5	9	6.5	1.8	.9	.5	15.0	.4
Other European	6	4	6.3	7.0	6.3	2.0	9.5	2.9
French	7	5	5.7	16.1	4.2	1.4	5.6	1.5
Middle Eastern	8	6	4.3	16.6	3.0	.4	3.2	.4
Japanese	9	8	3.6	2.8	14.7	1.9	2.7	.9
South American	10	12	3.5	.7	1.1	2.1	1.2	25.9
Other Asian	11	10	3.3	3.3	20.0	.3	1.5	.3
Mexican	12	16	2.6	.3	.2	.7	.4	25.2
Other African	13	14	2.5	12.0	2.1	.1	.9	.4
Italian	14	13	2.4	3.6	1.7	.8	3.4	.9
Australasian	15	11	1.9	.9	12.6	.2	1.0	.1
North African	16	17	1.0	3.7	.4	0	.9	.1
Central American	17	15	.9	.4	.7	1.0	.6	3.7

*Arithmetic mean

Region I
Africa and the Middle East

Profile of contributors

Using the various measures of central tendency, the typical contributor from Africa and the Middle East is identified and defined in Exhibit I-1. Subregions detailed in this section are Northern Africa, Southern Africa and the Middle East. The highlights of the analysis of operating results are presented in Exhibit I-2. Increases in the average daily rate were not enough to offset the decline in occupancy rates reported by hotels in this region since total revenue per room declined 3.6 percent. With lower operating revenue being generated, and total fixed charges per room increasing over 1981 levels, profit margins for reporting properties suffered as income before income taxes dropped more than 25 percent.

For the first time, the regional analysis has been expanded to include the source and distribution of the dollar, market data and the nationality of guests for properties reporting from Africa and the Middle East. As shown in Chart 2, revenue generated from minor operated departments was reported at 11.8 percent, considerably more than any other region. On the expense side, payroll and related expenses were a low 25.9 percent, while departmental, and administrative and general expenses reported were higher than for the other regions.

The percentage of guests from foreign sources was by far the dominant source of business reported by hotels in all three areas covered in this region.

Exhibit I-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
Africa and the Middle East

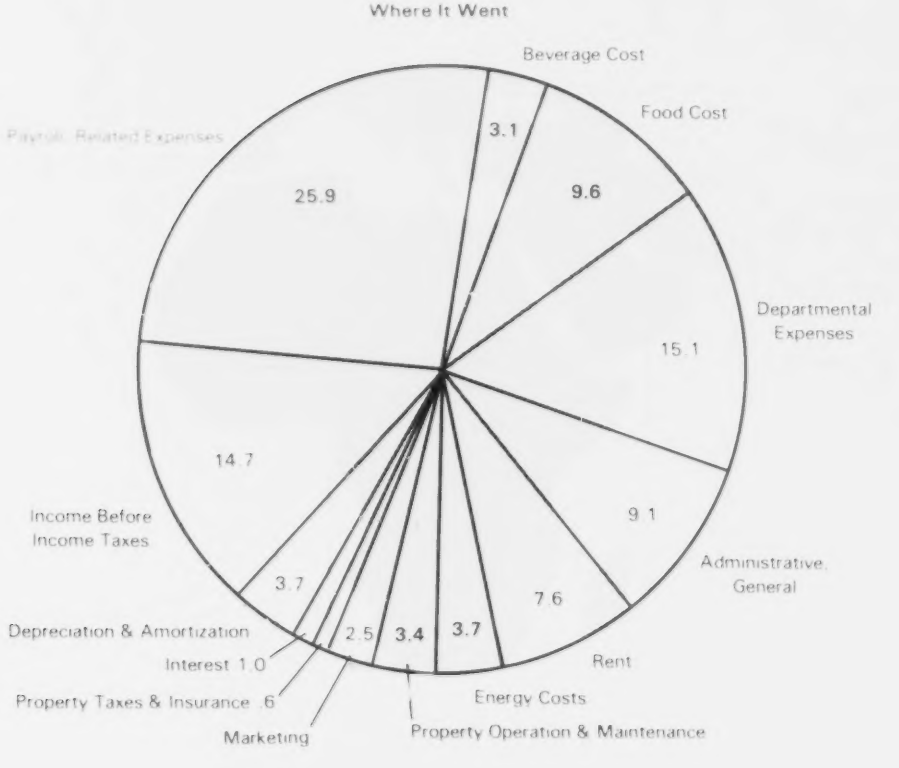
Criteria	Category of Typical Contributor
Age	Built after 1969
Size	150–299 rooms
Occupancy	60%–69%
Average Rate	Over $60
Sales Volume	Over $6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1982

Exhibit I-2
Highlights*
Africa and the Middle East

- Total revenue decreased 3.6 percent on a per room basis.
- Room occupancy declined 5.3 percent to 63.0 percent compared with 66.5 percent in 1981.
- The average daily rate per occupied room was $57.56 compared with $50.90 in 1981, an increase of 13.1 percent.
- Payroll and related expenses per room dropped slightly from $7,500 to $7,485.
- Income before income taxes fell 25.5 percent on a per room basis, while sales dropped by only 3.6 percent. The ratio to total sales fell to 11.3 percent.

*Based on medians.

Chart 2: Africa and Middle East Hotels
Percentage Distribution of Revenue and Expenses



*Including telephone

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Business travelers were the single largest segment of the market for hotels in Africa and the Middle East, with only Northern African properties reporting that a significant percentage of their guests were tourists (38.2 percent), more than double that of hotels in Southern Africa and the Middle East. The full detail is provided in Exhibit I-3.

Exhibit I-4 shows the nationality of guests by subregion. In 1982, only travelers from the African continent showed major change in the ranking, both moving up considerably from the 1981 levels. This is consistent with the rise in domestic travel reported by hotels in this region. Most other nationalities remained at or near the level recorded in 1981, with the first three positions remaining unchanged.

Performance measurements

As shown in Exhibit I-5, median total sales per available room fell for all three subregions. However, increased operating efficiencies instituted by properties in Southern Africa and the Middle East enabled hotels reporting from these areas to show an increase in income before fixed charges compared with 1981. These measures were not enough to offset the economic pressures felt worldwide, since these areas joined their counterparts in Northern Africa in showing a decline in income before income taxes. This drop was particularly evident in Southern African properties as income before income taxes per available room dropped 70 percent from $1,648 in 1981 to $485 in 1982.

Declines in overall performance measures were widespread throughout Region I. Contributing hotels in Northern Africa reported the most difficult year, registering a decline in every measure shown in Exhibit I-5. Since 1980, Northern African properties have shown a decline of more than 32 percent in the number of times the average rate was earned, from 246 in 1980 to 166 in 1982.

Exhibit I-3
Market Data*

	Total Region	Northern Africa	Southern Africa	Middle East
Source of Business				
Domestic	31.0%	12.2%	28.9%	37.5%
Foreign	69.0	87.8	71.1	62.5
Percentage of Repeat Business	29.8%	16.6%	37.4%	29.0%
Composition of Market				
Government Officials	10.1%	4.6%	11.5%	10.4%
Businessmen	50.6	43.4	50.6	52.7
Tourists	18.2	38.2	17.6	13.2
Conference Participants	7.1	5.8	9.0	6.1
Other	14.0	8.0	11.3	17.6
Percentage of Advance Reservations	73.2%	75.8%	66.3%	78.3%
Composition of Advance Reservations				
Direct	37.8%	37.7%	33.7%	41.5%
Reservation Systems	29.4	23.7	30.1	29.9
Travel Agents & Tour Operators	24.2	37.0	25.2	19.9
Other	8.7	1.6	11.0	8.7
Ratio of Travel Agent Commissions to Room Sales	0.7%	1.5%	0.4%	0.8%

*Arithmetic mean

Exhibit I-4
Nationality of Guests—1982*
All Hotels

	Rank		Total Region	Northern Africa	Southern Africa	Middle East
	1982	1981				
Middle East	1	1	16.6%	6.8%	1.4%	29.8%
French	2	2	16.1	19.2	26.8	7.1
American	3	3	12.8	19.2	7.9	14.4
Other African	4	7	12.0	5.9	27.7	2.1
British	5	4	11.1	15.3	7.4	14.7
Other European	6	5	7.0	6.7	5.6	7.8
German	7	6	5.3	4.9	2.8	7.1
North African	8	13	3.7	2.0	7.0	1.6
Italian	9	8	3.6	8.0	3.8	2.1
Other Asian	10	9	3.3	.8	1.9	4.9
Japanese	11	10	2.8	3.9	1.3	3.4
Scandinavian	12	12	1.8	.7	2.1	1.8
Canadian	13	11	1.6	3.2	2.0	1.2
Australasian	14	14	.9	.4	.7	1.2
South American	15	15	.7	1.6	.6	.5
Central American	16	16	.4	1.1	.4	.2
Mexican	17	17	.3	.3	.6	.1

*Arithmetic mean

Exhibit I-5
Comparison of Sales and Profitability*
Africa and the Middle East

	Total Region		Northern Africa		Southern Africa		Middle East	
	1982	1981	1982	1981	1982	1981	1982	1981
Amounts Per Available Room								
Total Sales	$28,202	$29,241	$28,017	$30,874	$18,548	$20,428	$34,202	$35,183
Income Before Fixed Charges	6,802	7,175	10,056	11,131	4,088	3,996	8,611	7,646
Net Income** or (Loss)	$ 2,967	$ 3,982	$ 2,435	$ 3,932	$ 485	$ 1,648	$ 4,760	$ 5,532
Ratio of Income Before Fixed Charges								
Room Sales	51.2%	55.9%	68.9%	74.0%	48.3%	44.5%	53.6%	56.3%
Total Sales	25.8	24.7	30.4	35.2	17.2	21.7	24.7	24.8
Number of Times Average Rate Was Earned	118	122	166	199	114	121	107	108
Increase (Decrease)	(3.3)%		(18.6)%		(5.8)%		(.9)%	

*All figures are medians
**Before income tax

Occupancy and average rate

While occupancy rates were still higher for Northern Africa than for the other two subregions, there was an 18 percent decrease in the occupancy rate compared with 1981, as shown in Exhibit I-6. Conversely, Middle Eastern hotels reported increases in occupancy, from 59.4 percent in 1981 to 61.2 percent in 1982, and in the number of guests per room from 1.16 to 1.18. Properties in Northern Africa reported a much higher number of guests per room than those in either of the other two areas. Even though hotels in the Middle East experienced a low number of guests per room, the average daily rate in properties in this subregion was among the highest reported by any hotels in this year's study.

Analysis of sales

The composition of sales for Region I is illustrated in Exhibit I-7. Guest room rentals contributed a slightly higher portion of sales in properties located in the Middle East than for hotels in the other areas, but beverage sales were particularly strong for properties in Southern Africa. Minor operated departments also produced a very high portion of revenue for properties in Northern Africa, considerably larger than any other subregion in the 1983 study.

Exhibit I-8 shows the revenue and expenses for minor operated departments per available room and as ratios to total sales. Telephone departmental income per room fell sharply for properties in Northern Africa in 1982, bringing this revenue more in line

Exhibit I-6
Occupancy, Double Occupancy, Room Rates*
Africa and the Middle East

	Total Region		Northern Africa		Southern Africa		Middle East	
	1982	1981	1982	1981	1982	1981	1982	1981
Annual Room Occupancy	63.0%	66.5%	66.3%	80.9%	65.8%	67.6%	61.2%	59.4%
Number of Guests Per Room	1.22	1.21	1.41	1.47	1.20	1.22	1.18	1.16
Average Daily Rate								
Per Room (U.S. Dollars)	$57.56	$50.90	$45.83	$48.09	$38.45	$41.38	$77.58	$74.15
Per Guest (U.S. Dollars)	45.22	40.03	36.48	34.16	33.23	31.78	69.03	69.74

*All figures are medians.

Exhibit I-7
Composition of Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Rooms	45.8%	38.5%	46.3%	47.6%
Food	28.7	30.3	27.2	29.3
Beverage	11.1	10.2	14.0	9.8
Telephone	5.6	4.4	5.2	6.1
Minor Operated Departments	5.9	13.1	5.2	4.0
Rentals & Other Income	2.9	3.5	2.1	3.2
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

with other areas in this region. Hotels in Southern Africa reported lower median departmental income as median amounts per available room than the other subregions covered. With the exception of minor operated departments, hotels in Northern Africa reported the highest departmental income per available room for the three subregions covered, with rentals and other income reported the highest at $905.

Exhibit I-8
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Telephone				
Amount Per Available Room				
Sales	$1,631	$1,808	$900	$2,509
Cost of Sales				
Cost of Calls	1,288	1,547	714	1,799
Equipment Rental	61	68	37	81
Total	1,334	1,659	803	1,880
Payroll & Related Expenses	117	68	80	230
All Other Expenses	13	4	9	14
Total Cost & Expenses	1,448	1,641	850	2,162
Net Departmental Income or (Loss)	$ 236	$ 335	$ 62	$ 329
Ratio to Total Sales				
Sales	6.3%	6.8%	5.0%	6.3%
Cost of Sales	4.9	5.4	3.9	4.8
Payroll & Related Expenses	0.5	0.3	0.4	0.6
Minor Operated Departments				
Amount Per Available Room				
Sales	$ 809	$ 772	$461	$1,071
Cost of Sales	175	474	103	218
Payroll & Related Expenses	218	120	103	271
Other Expenses	66	84	46	66
Total Costs & Expenses	486	613	191	538
Net Departmental Income	$ 416	$ 469	$170	$ 479
Ratio to Total Sales				
Sales	2.7%	2.7%	2.5%	3.0%
Cost of Sales	0.7	1.2	0.5	0.7
Payroll & Related Expenses	0.7	0.6	0.6	0.8
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 229	$ 188	$204	$ 274
Concessions	246	274	213	261
Commissions	57	71	34	102
Other	386	490	167	458
Total Rentals & Other Income	$ 601	$ 905	$524	$ 750
Ratio to Total Sales	2.1%	2.1%	2.1%	2.1%

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Food and beverage statistics for those hotels providing the detail are shown in Exhibit I-9. Average sales per customer (average check) for all categories analyzed were considerably higher for Middle Eastern properties than for their counterparts in both Northern and Southern Africa. These higher average checks resulted in more food revenue per seat for the reporting Middle Eastern hotels. Beverage sales per available room are much more consistent through all subregions. However, properties in Southern Africa reported that beverage sales, in relation to food sales, were 51.4 percent, much higher than overall industry performance.

Exhibit I-9
Food and Beverage Statistics*
African and the Middle East

	Total Region	Northern African	Southern Africa	Middle East
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$4,979	$5,518	$3,718	$5,108
Room Service	919	776	479	1,236
Banquet	1,405	1,368	801	1,821
Bar/Lounge	276	196	184	499
Total	$7,969	$8,815	$5,204	$9,023
Ratio to Total Sales				
Dining Room	66.7%	72.7%	71.4%	62.8%
Room Service	11.6	10.8	9.5	13.0
Banquet	18.2	19.4	15.8	19.1
Bar/Lounge	3.3%	2.3%	4.0%	3.5%
Amount Per Seat				
Dining Room	$4,412	$4,094	$2,899	$5,572
Banquet	1,003	775	711	1,252
Bar/Lounge	503	347	148	784
Total	$2,379	$1,839	$1,966	$2,762
Average Check				
Dining Room	$ 8.96	$ 6.57	$ 6.88	$10.23
Room Service	6.22	4.62	4.11	8.30
Banquet	15.10	12.71	10.33	17.63
Total	$ 9.04	$ 7.21	$ 7.27	$10.80
Covers Served Per Seat				
Dining Room	473	650	473	458
Banquet	75	78	75	66

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-9 (continued)
Food and Beverage Statistics*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Room Service Sales				
Per Occupied Room				
Food	$ 4.22	$ 3.15	$ 2.18	$ 5.99
Beverage	1.15	1.19	69	1.16
Total	$ 5.46	$ 4.24	$ 2.83	$ 7.30
Per Guest				
Food	$ 3.44	$ 2.13	$ 1.89	$ 4.95
Beverage	89	1.15	59	1.02
Total	$ 4.41	$ 3.77	$ 2.50	$ 6.18
Beverage Sales — By Facility				
Amount Per Available Room				
Dining Room	$1.049	$1.065	$ 853	$1.022
Room Service	223	361	176	279
Banquet	374	445	474	252
Bar/Lounge	1.317	1.252	1.279	1.783
Total	$2.716	$2.558	$2.638	$3.223
Ratio to Total Beverage Sales				
Dining Room	38.1%	39.3%	31.8%	38.7%
Room Service	7.9	8.0	7.8	7.8
Banquet	13.3	10.2	17.2	12.3
Bar/Lounge	43.8	48.4	41.9	43.3
Ratio to Food Sales				
Dining Room	21.5%	19.7%	25.1%	18.4%
Room Service	27.9	22.9	38.9	24.9
Banquet	28.0	18.2	58.3	17.5
Total (Including Bar/Lounge)	44.8	33.5	51.4	34.4
Amount Per Seat				
Dining Room	$ 856	$1.100	$ 784	$ 825
Banquet	257	247	423	199
Bar/Lounge	2.616	2.617	1.626	4.005
Total	$ 944	$ 997	$1.020	$ 828

*All figures are medians and do not necessarily add to totals shown.

Payroll and related expenses

Information about payroll, employee benefits and employment statistics for the major areas that constitute this region is presented in Exhibit I-10. The productivity index (total sales divided by net payroll and related expenses) remained relatively constant for all subregions in Africa and the Middle East. The reporting properties from this region were able to maintain their 1981 productivity levels in the face of falling total sales, because they reduced the number of full-time equivalent employees per 100 available rooms (number of hours worked divided by the standard work hours). The most significant decreases were reported by Northern African properties, which recorded a 17.7 percent drop in the number of full-time equivalent employees per 100 available rooms. The major impact of staff reductions was felt by the rooms, and food and beverage departments.

Undistributed operating expenses

An analysis of the undistributed operating

Exhibit I-10
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 4,807	$ 3,318	$ 3,912	$ 5,762
Net Payroll & Related Expenses**	7,417	5,905	5,431	11,194
Employee Benefits — Ratio to Cash Payroll	73.8%	63.8%	54.8%	80.6%
Cost Per Employee				
Cash Payroll	$ 4,415	$ 2,915	$ 3,297	$ 5,539
Net Payroll & Related Expenses**	7,485	4,045	4,787	10,422
Employment Statistics				
Sales Per Employee				
Rooms	$57,715	$50,547	$27,535	$77,133
Food & Beverage	22,544	19,724	13,887	30,603
Telephone	92,678	123,700	35,614	111,145
Minor Departments	36,847	21,480	21,526	52,352
Total Sales Per Employee	$26,671	$23,772	$14,078	$35,204
Productivity Index				
1982	3.42	5.52	3.42	3.19
1981	3.37	5.60	3.54	3.14
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	24.9	24.9	28.8	21.5
Food & Beverage	47.0	53.5	56.6	45.7
Telephone	2.2	1.8	2.3	2.3
Minor Departments	3.5	3.3	7.5	3.5
Administrative & General	11.1	12.5	12.5	11.0
Marketing — Sales	1.4	1.5	1.0	1.4
Marketing — Other	.7	—	1.1	.6
Property Operation & Maintenance	10.2	9.1	13.5	9.4
Personnel	2.8	2.1	2.5	3.1
House Laundry	4.7	6.4	6.3	4.3
Other	2.4	1.0	3.0	3.0
Total	111.0	119.1	120.1	104.2

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.

expenses for the region is presented in Exhibit I-11 on three bases: cost per available room, ratio to room sales and ratio to total sales. In this year's study, management fees are not analyzed as an administrative and general expense. They are included as a separate line item on the income and expense Exhibits I-17 and I-18. Properties located in the Middle East reported the highest amounts per room for administrative and general expenses, marketing expenses, and property operation and maintenance expenses of the areas included in this region. In 1982, all hotels located in the three areas reported declines in total administrative and general costs, both as ratios to room sales and ratios to total sales.

Exhibit I-11
Analysis of Undistributed Operating Expenses*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,616	$1,393	$1,490	$1,803
Other	1,286	1,232	1,371	1,352
Total	$2,983	$2,718	$2,873	$3,133
Ratio to:				
Room Sales	23.4%	20.8%	34.1%	21.7%
Total Sales — 1982	10.2	7.5	14.4	9.5
Total Sales — 1981	13.7	10.3	16.7	13.7
Increase (Decrease)	(25.6)%	(27.2)%	(13.8)%	(30.7)%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 146	$ 61	$ 74	$ 271
Other	663	1,012	484	852
Total	$ 857	$1,072	$ 560	$1,105
Ratio to:				
Room Sales	6.6%	8.8%	5.3%	7.3%
Total Sales — 1982	3.1	3.7	2.5	3.3
Total Sales — 1981	2.9	3.0	2.8	3.0
Increase (Decrease)	6.9%	23.3%	(10.7)%	10.0%
Energy Costs				
Cost Per Available Room	$1,002	$ 726	$1,348	$1,007
Ratio to:				
Room Sales	8.0%	6.0%	14.8%	6.9%
Total Sales — 1982	3.7	2.1	6.5	3.3
Total Sales — 1981	4.0	1.9	6.5	3.6
Increase (Decrease)	(7.5)%	10.5%	—	(8.3)%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 880	$ 630	$ 554	$1,074
Other	948	772	772	1,117
Total	$1,820	$1,445	$1,359	$2,067
Ratio to:				
Room Sales	14.1%	12.7%	14.1%	14.7%
Total Sales — 1982	6.6	5.5	6.9	6.7
Total Sales — 1981	6.2	5.6	7.3	6.2
Increase (Decrease)	6.5%	(1.8)%	(5.5)%	8.1%

*All figures are medians and do not necessarily add to totals shown.

As shown in Exhibit I-12, energy costs per occupied room per day varied widely among the reporting properties in the three subregions, ranging from $6.13 for Southern African properties to $3.04 for properties located in Northern Africa. Energy costs remained relatively high for Middle Eastern properties despite the large domestic energy supply available.

Credit and collection data

The method of payment for hotel services varied among the three areas depending on the destination of the guest, according to Exhibit I-13. People traveling to Middle Eastern properties were less likely to pay in cash and more likely to pay with a credit card than guests at hotels in the other two subregions. Travel agents and tour operators make a substantial portion of the payments to properties in Northern Africa, but "all other credit" sources were used more extensively in properties located in Southern Africa and the Middle East. The annual cost per occupied room for credit card commissions, shown in Exhibit I-14, reflected the difference in method of payment. Middle Eastern properties reported the higest credit card usage and had the highest annual cost per occupied room at $4.08.

Fixed charges

Exhibit I-15 provides a comparison of the median amount per available room and ratios to total sales of fixed charges, which include rent, property taxes, insurance on building and contents, interest and depreciation. While total fixed charges as an amount per room for the hotels reporting from Region I were similar to 1981 results, the ratio to total sales in Southern African and Middle Eastern properties was much higher than in 1981. The increase resulted primarily from the large drop in total sales registered by these two areas.

Exhibit I-12
Energy Costs Per Occupied Room Per Day*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Fuel	$ .91	$1.35	$ .93	$ .88
Electricity	2.82	1.63	4.25	2.86
Water	.58	.07	.52	.72
Steam	.18	1.70	.01	.18
Credit for Sale of Energy	(.15)	(.22)	(.12)	(.17)
Net Energy Cost — 1982	$4.89	$3.04	$6.13	$4.52
Net Energy Cost — 1981	$5.04	$2.56	$5.88	$5.04
Increase (Decrease)	(3.0)%	18.8%	0.1%	(10.1)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-13
Method of Payment for Hotel Services*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Cash	30.9%	30.4%	34.0%	28.4%
Credit Card	17.5	19.1	14.8	20.4
Travel Agents & Tour Operators	16.3	32.3	14.7	13.5
All Other Credit	35.3	18.2	36.5	37.7

*Based on arithmetic mean

Exhibit I-14
Credit Card Commission
Annual Cost Per Occupied Room*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Annual Cost Per Occupied Room	$222	$112	$156	$408
Ratio to Total Sales	8%	7%	5%	6%

*All figures are medians

Exhibit I-15
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Amount Per Room				
Rent	$1,434	$4,966	$ 940	$1,434
Property Taxes	170	359	147	263
Insurance on Buildings & Contents	166	349	73	176
Interest Expense	639	273	639	818
Depreciation & Amortization	842	1,101	663	1,154
Total Fixed Charges	$1,895	$2,098	$1,569	$1,806
Ratio to Total Sales—1982	6.5%	9.9%	9.9%	5.5%
Ratio to Total Sales—1981	6.2	12.1	7.9	5.2
Increase (Decrease)	4.8%	(18.2)%	25.3%	5.8%

*All figures are medians and do not necessarily add to totals shown

Balance sheet statistics

The typical liquidity ratios, those used to measure the extent to which a company can cover current obligations, are listed for Region I in Exhibit I-16. While liquidity remained relatively consistent with 1981 results at hotels reporting from Northern Africa, the current position dropped for Middle Eastern properties from $1.65 in 1981 to $1.41 in 1982, and jumped from $1.19 in 1981 to $1.51 in 1982 for reporting Southern African properties.

Exhibits I-17 and I-18 contain the median amounts per available room and ratios to total sales for the region and subregions. This analysis includes management fees as a separate line item.

Exhibit I-16
Balance Sheet Statistics—Liquidity Ratios*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Current Position:				
Ratio of Current Assets to Current Liabilities	$ 1.46	$ 1.40	$ 1.51	$ 1.41
Accounts Receivable:				
Amount Per Room	$2,909	$2,263	$2,972	$1,626
Ratio to Total Sales	9.4%	8.8%	9.9%	9.6%
Food Inventory				
Amount Per Room	$ 282	$ 289	$ 210	$ 352
Annual Turnover	12.5	15.8	14.7	11.8
Beverage Inventory				
Amount Per Room	$ 259	$ 301	$ 269	$ 155
Annual Turnover	3.6	2.1	3.5	4.2
Operating Supplies Inventory				
Amount Per Room	$1,204	$2,355	$2,215	$ 723

*All figures are medians.

Exhibit I-17
Statement of Income and Expenses—Median Amounts Per Available Room*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Rooms				
Sales	$12,506	$10,765	$9,228	$18,697
Departmental Expenses				
Payroll & Related Expenses	1,291	972	1,031	2,153
Other	1,091	1,547	656	1,387
Total	2,612	2,339	1,770	3,714
Departmental Income	10,398	8,108	6,913	14,368
Food & Beverage				
Sales				
Food	7,969	8,815	5,204	9,023
Beverage	2,716	2,558	2,638	3,223
Total	10,670	11,455	7,495	11,796
Cost of Sales				
Food	2,685	3,308	1,865	2,947
Beverage	781	884	762	671
Total	3,165	4,111	2,724	3,635
Gross Profit	7,055	7,448	5,164	8,686
Public Room Sales	53	35	47	72
Other Income	239	226	76	305
Gross Profit & Other Income	7,334	7,452	5,212	8,883
Departmental Expenses				
Payroll & Related Expenses	3,175	2,291	2,116	3,945
Other	1,375	1,741	946	1,561
Total	4,588	4,140	3,051	5,374
Departmental Income	2,749	4,026	1,991	3,455
Telephone Departmental Income	236	335	62	329
Net Income From Minor Operated Departments	416	469	170	479
Rentals & Other Income	601	905	524	750
Gross Income	15,506	16,129	10,532	19,888
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,616	1,393	1,490	1,803
Other	1,286	1,232	1,371	1,352
Total	2,983	2,718	2,873	3,133
Marketing	857	1,072	560	1,105
Energy Costs	1,002	726	1,348	1,007
Property Operation & Maintenance	1,820	1,445	1,359	2,067
Total Undistributed Expenses	7,165	6,227	5,878	7,948
Income Before Management Fees	8,286	11,207	4,250	11,209
Management Fees	1,163	1,915	482	1,560
Income Before Fixed Charges	6,802	10,056	4,088	8,611
Property & Insurance	337	708	221	439
Income Before Interest and Depreciation	$3,779	$3,536	$1,751	$7,555

*All figures are medians and do not necessarily add to totals shown; all amounts in $U.S.

Exhibit I-18
Ratio to Total Sales*
Africa and the Middle East

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Northern Africa	Southern Africa	Middle East
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	11.5	9.3	10.7	12.8
Other	9.0	12.5	9.2	7.6
Total	21.4	25.2	19.2	20.8
Departmental Income	78.6	74.8	80.8	79.2
Ratio to Total Sales	36.3	31.4	38.1	36.3
Food & Beverage				
Sales				
Food	69.2	74.9	66.1	77.6
Beverage	30.9	25.1	33.9	25.5
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	35.2	34.8	38.0	34.3
Beverage	25.6	36.8	29.9	21.8
Total	32.3	35.3	35.3	30.9
Gross Profit	67.7	64.7	64.7	69.1
Public Room Sales	.5	.3	.6	.6
Other Income	2.0	2.2	1.1	2.2
Gross Profit & Other Income	69.9	67.8	66.2	72.6
Departmental Expenses				
Payroll & Related Expenses	31.4	18.6	31.4	34.7
Other	13.2	13.9	10.9	13.8
Total	43.5	32.5	43.2	47.6
Departmental Income	26.5	37.4	23.8	25.3
Ratio to Total Sales	10.3	13.4	7.9	10.1
Telephone Departmental Profit	.9	1.3	.4	.8
Net Income From Minor Operated Departments	1.4	1.7	1.1	1.4
Rentals & Other Income	2.1	2.1	2.1	2.1
Gross Income	53.5	56.8	52.2	53.1
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	5.4	4.1	7.5	5.3
Other	4.3	3.4	8.4	3.8
Total	10.2	7.5	14.4	9.5
Marketing	3.1	3.7	2.5	3.3
Energy Costs	3.7	2.1	6.5	3.3
Property Operation & Maintenance	6.6	5.5	6.9	6.7
Total Undistributed Expenses	24.1	18.2	32.0	24.1
Income Before Management Fees	29.2	38.3	23.6	29.2
Management Fees	5.0	5.4	3.5	5.5
Income Before Fixed Charges	25.8	30.4	17.2	24.7
Property & Insurance	1.7	2.5	1.4	1.6
Income Before Interest and Depreciation	14.5	11.8	8.8	18.4

*All figures are medians and do not necessarily add to totals shown.

Region II
Asia and Australasia

Profile of contributors

The typical contributor from Asia and Australasia is identified and defined in Exhibit II-1, using the different measures of central tendency. The subregions included in this region are Asia, the Far East and the Pacific Islands. Highlights of the analysis of operating results are shown in Exhibit II-2. Relatively stable room rates and a 5.4 percent decline in occupancy translated into an 11.4 percent decline in total revenue by properties contributing from Asia and Australasia. This decline in total revenue resulted in major drains on profits as income before taxes fell more than 35 percent in this region.

Exhibit II-1
General Profile of Typical Contributor Based on Various Measures of Central Tendency
Asia and Australasia

Criteria	Category of Typical Contributor
Age	Built between 1960–1969
Size	300–600 rooms
Occupancy	Greater than 80%
Average Rate	Over $60
Sales Volume	Over $6 million (U.S.)
Restaurant Operation	Operated a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1982

Exhibit II-2
Highlights*
Asia and Australasia

- Total revenue declined 11.4 percent on a per room basis.
- Room occupancy fell 5.4 percent to 77.4% compared with 81.8 percent in 1981.
- The average daily rate per occupied room was $47.70 compared with $47.20 in 1981, an increase of 1.1 percent.
- Payroll and related expenses per room fell 6.5 percent from $4,052 to $3,787.
- Income before income taxes dropped 35.8 percent on a per room basis, although sales fell only 11.4 percent. The ratio to total sales fell to 13.5 percent from 15.6 percent in 1981.

*Based on medians.

For the first time, this year's regional analysis includes a presentation of source and distribution of the lodging dollar, market data and the nationality of guests staying at hotels in the region. As shown in Chart 3, room sales represented 45 percent of total revenue, while food sales contributed 34.9 percent of total revenue. On the expense side, payroll and related expenses were below industry averages, while food costs were somewhat higher. This variation in expenses is reflective of the source of the lodging dollar in Asian and Australasian properties.

The percentage of guests from foreign sources was about twice that of guests from domestic sources, as reported by properties in Asia and Australasia and shown in Exhibit II-3. Far Eastern properties reported a much higher percentage of repeat business than their counterparts, while hotels in the Pacific Islands reported the lowest percentage (25 percent) of repeat business. Business travelers represented the largest segment of the market for hotels in Asia and the Far East, while tourists comprised the largest segment for the Pacific Islands. Since tourists represented the principal source of business at Pacific Island properties, the percentage of advance reservations was a very high 92.4 percent, and travel agents and tour operators were responsible for the largest block of advance reservations, at 44.3 percent.

Exhibit II-3
Market Data*

	Total Region	Asia	Far East	Pacific Islands
Source of Business				
Domestic	33.9%	33.7%	32.1%	35.3%
Foreign	66.1	66.3	67.9	64.7
Percentage of Repeat Business	43.5%	42.9%	61.5%	25.0%
Composition of Market				
Government Officials	6.7%	9.0%	3.6%	4.3%
Businessmen	43.6	45.0	50.7	31.4
Tourists	31.0	26.8	26.6	48.0
Conference Participants	6.3	5.8	5.2	7.6
Other	12.4	13.4	13.9	8.7
Percentage of Advance Reservations	76.6%	69.4%	80.0%	92.4%
Composition of Advance Reservations				
Direct	21.8%	22.2%	22.5%	21.4%
Reservation Systems	39.5	42.2	44.6	25.1
Travel Agents & Tour Operators	32.8	31.3	26.0	44.3
Other	5.9	4.3	6.9	9.2
Ratio of Travel Agent Commissions to Room Sales	1.5%	0.7%	1.5%	6.8%

*Arithmetic mean

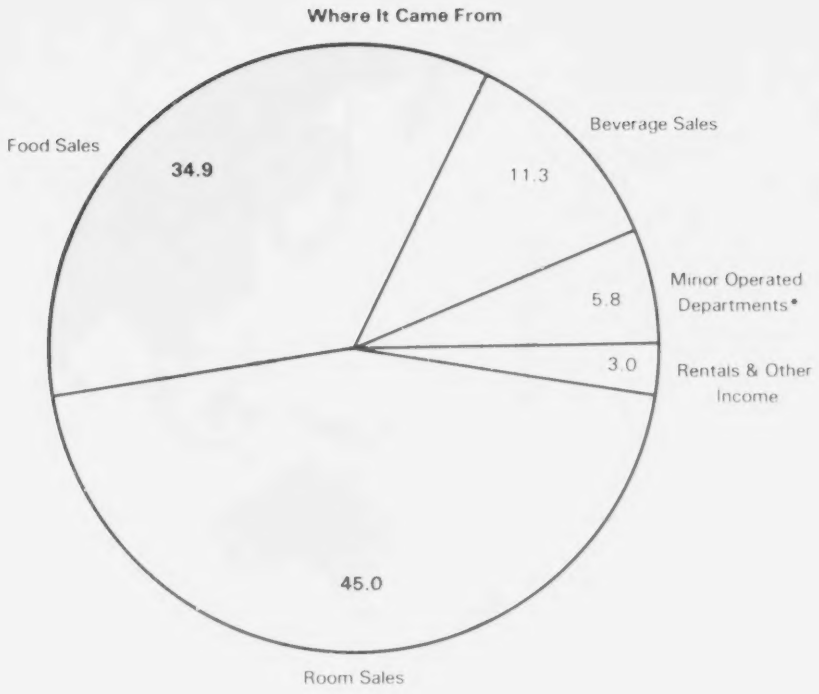
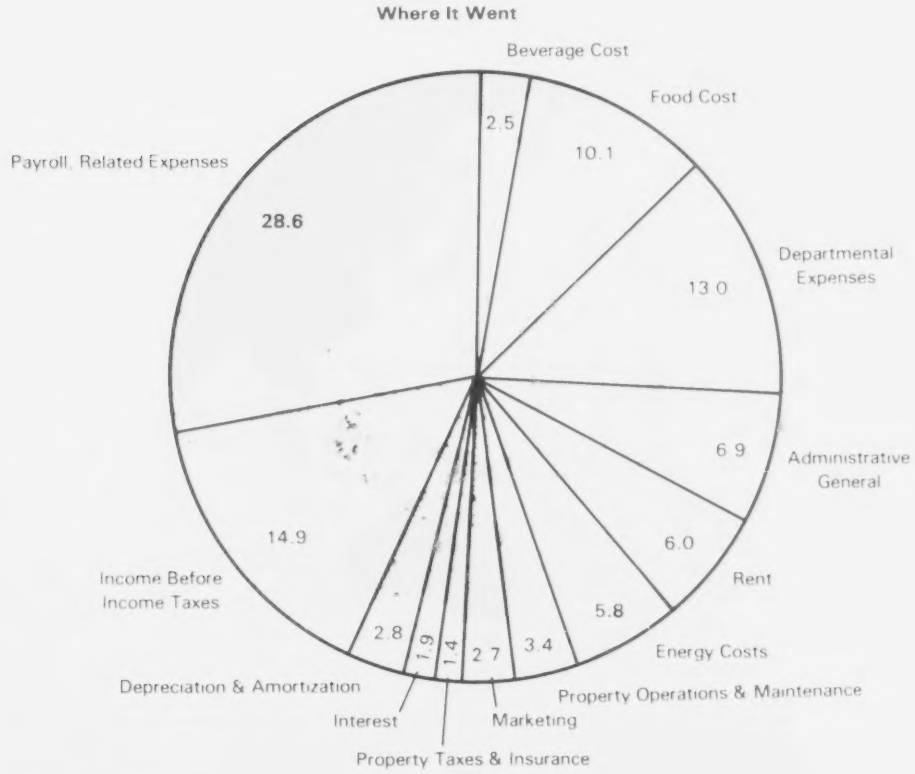


Chart 3: Asia and Australasia
Percentage Distribution of Revenue and Expenses



*Including telephone

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Exhibit II-4 shows the nationality of guests by subregion. With the exception of some reshuffling of the top four spots, there were no dramatic changes in the rankings in 1982. Except for American travelers, an examination of the subregions reveals that the dominant nationality for each area is the one with the closest geographic proximity.

Performance measurements

Asian and Pacific Island properties were able to show increases in total sales per available room in 1982. However, their counterparts in the Far East suffered through a very difficult year as they reported more than a 13 percent drop in total sales. Unable to offset this drop in revenue with cost-cutting measures, Far Eastern properties also reported that both income before fixed charges and net income before income taxes were off considerably from 1981 levels. They were not alone in reporting smaller profits in 1982, as both Asian and Pacific Island hotels recorded declines in both income measures.

In addition to the comparison of total sales and income, Exhibit II-5 also presents the ratio of income before fixed charges to room sales and to total sales, and the number of times the average room rate was earned. Reflecting the difficulties experienced in this region during 1982, every subregion reported declines in the ratio of income before fixed charges

Exhibit II-4
Nationality of Guests—1982*
All Hotels

	Rank 1982	1981	Total Region	Asia	Far East	Pacific Islands
Other Asian	1	3	20.0%	26.6%	21.6%	3.6%
American	2	4	16.2	10.9	18.6	26.8
Japanese	3	2	14.7	11.5	24.5	13.0
Australasian	4	1	12.6	8.1	4.7	33.6
British	5	5	7.3	9.3	5.3	4.4
Other European	6	6	6.3	6.7	5.4	2.2
German	7	7	6.0	8.4	3.6	2.2
French	8	8	4.2	5.0	1.8	5.3
Middle Eastern	9	9	3.0	4.0	2.7	1.1
Canadian	10	11	2.6	2.7	3.5	1.4
Other African	11	16	2.1	1.8	1.1	4.3
Italian	12	10	1.7	2.3	1.7	4
South American	13	13	1.1	.8	1.6	1.0
Scandinavian	14	12	.9	1.2	.8	.3
Central American	15	14	.7	.3	1.8	.2
North African	16	15	.4	.3	.7	.1
Mexican	17	17	.2	.1	.6	.1

*Arithmetic mean.

to both room sales and total sales. The only reversal of this pattern was the ratio to room sales reported by Asian properties. The number of times the average rate was earned was also lower in every area compared with the preceding year.

Occupancy and average rate

Exhibit II-6 illustrates the median room occupancy, number of guests per room and the average daily rate per room and per guest for properties in Asia and Australasia. Significant declines in occupancy were reported by all three subregions with Far Eastern properties suffering through a 12.7 percent drop. However, hotels in each of the three areas again recorded occupancy rates far above industry norms in 1982. These high occupancy rates reflect a much better match in this region between the demand for first-class hotel rooms and their available supply than in other areas throughout the world. Room rates did not show much fluctuation in the areas covered in this region, with Far Eastern properties reporting a 5 percent increase and Pacific Island hotels reporting a 3 percent decline. However, the average daily rate per guest showed a decline throughout the region.

Exhibit II-5
Comparison of Sales and Profitability*
Asia and Australasia

	Total Region		Asia		Far East		Pacific Islands	
	1982	1981	1982	1981	1982	1981	1982	1981
Amounts Per Available Room								
Total Sales	$26,089	$29,432	$22,423	$21,732	$28,823	$33,181	$36,529	$34,157
Income Before Fixed Charges	7,819	9,256	7,301	8,682	11,597	13,984	6,723	8,586
Net Income** or (Loss)	$ 3,438	$ 5,353	$ 3,721	$ 3,797	$ 5,407	$ 9,273	$ 3,356	$ 3,589
Ratio of Income Before Fixed Charges								
Room Sales	55.6%	60.1%	62.6%	60.3%	67.9%	79.5%	40.9%	52.6%
Total Sales	26.0	31.2	31.0	31.6	27.2	39.0	20.7	24.3
Number of Times Average Rate Was Earned	166	185	186	188	178	230	138	142
Increase (Decrease)	(10.3)%		(1.1)%		(22.6)%		(2.8%)	

*All figures are medians.
**Before income tax.

Exhibit II-6
Occupancy, Double Occupancy, Room Rates*
Asia and Australasia

	Total Region		Asia		Far East		Pacific Islands	
	1982	1981	1982	1981	1982	1981	1982	1981
Annual Room Occupancy	77.4%	81.8%	76.1%	79.7%	72.8%	83.4%	79.1%	81.0%
Number of Guests Per Room	1.42	1.39	1.29	1.27	1.34	1.40	1.78	1.75
Average Daily Rate								
Per Room (U.S. Dollars)	$47.70	$47.20	$40.88	$40.72	$55.02	$52.36	$57.72	$59.51
Per Guest (U.S. Dollars)	34.83	35.21	28.17	30.16	36.62	43.48	34.41	36.21

*All figures are medians.

Analysis of sales

Exhibit II-7 displays the composition of sales for Region II. Traditionally, hotels in Asia and the Far East have been the local residents' favorite places for dining out. However, in last year's study, it was reported that this pattern seemed to be changing as the ratio of food sales to total sales for hotels in both these areas fell to levels more consistent with those throughout the world. This trend seems to have again reversed itself as the ratio of food sales to total sales was on the rise in both subregions, particularly in the Far East where food sales rose to 38.2 percent of total sales.

Revenue and expenses for minor operated departments per available room and as ratios to sales are illustrated in Exhibit II-8. Revenue generated by minor operated departments per available room declined sharply for all three subregions in 1982. This was not surprising given the declines in occupancy reported in those areas. However, the ratios to total sales were consistent with 1981 levels, indicating that the guests continued to make use of the many shops and wide range of recreation facilities typically provided by the hotels in this region.

Exhibit II-7
Composition of Sales*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Rooms	47.9%	49.8%	39.6%	49.8%
Food	30.9	26.9	38.2	31.6
Beverage	11.0	10.0	11.4	12.2
Telephone	3.5	4.7	3.6	1.9
Minor Operated Departments	3.2	4.1	3.9	1.8
Rentals & Other Income	3.5	4.5	3.3	2.7
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit II-8
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Telephone				
Amount Per Available Room				
Sales	$ 860	$ 916	$1,376	$ 462
Cost of Sales				
Cost of Calls	627	698	1,079	320
Equipment Rental	90	64	97	136
Total	640	767	1,141	539
Payroll & Related Expenses	120	75	115	231
All Other Expenses	8	8	8	6
Total Cost & Expenses	794	893	1,220	679
Net Departmental Income or (Loss)	$ 33	$ 53	$ 63	$ (201)
Ratio to Total Sales				
Sales	3.2%	4.3%	3.6%	1.3%
Cost of Sales	2.8	3.8	3.3	1.5
Payroll & Related Expenses	5	3	4	7
Minor Operated Departments				
Amount Per Available Room				
Sales	$ 542	$ 764	$1,141	$ 258
Cost of Sales	127	166	289	77
Payroll & Related Expenses	136	136	182	107
Other Expenses	37	37	61	34
Total Costs & Expenses	310	338	655	186
Net Departmental Income	$ 264	$ 310	$ 282	$ 42
Ratio to Total Sales				
Sales	2.6%	3.2%	4.0%	7%
Cost of Sales	5	.7	8	.2
Payroll & Related Expenses	.5	6	.7	4
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 295	$ 296	$ 211	$ 390
Concessions	135	168	111	58
Commissions	20	16	33	18
Other	175	176	200	111
Total Rentals & Other Income	$ 731	$ 714	$ 463	$ 805
Ratio to Total Sales	2.4%	3.1%	1.8%	2.3%

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Exhibit II-9 presents the food and beverage statistics for those hotels in Region II providing the detail. Food sales per available room and ratios to total food and beverage sales are shown by facility. While most measurements are consistent with 1981 levels for all areas, there was a 30.4 percent drop in total food sales per available room in Pacific Island properties. Declines were experienced in every facility except the dining room, where a slight increase was evident. Conversely, total beverage sales per available room were up sharply, more than 54 percent higher than in 1981.

Exhibit II-9
Food and Beverage Statistics*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Food Sales — By Facility				
Amount Per Available Room				
Dining Room	$5,247	$3,311	$6,245	$6,235
Room Service	509	494	601	434
Banquet	1,643	1,282	1,978	1,778
Bar/Lounge	230	289	336	230
Total	$7,199	$4,972	$8,253	$8,883
Ratio to Total Sales				
Dining Room	66.4%	60.2%	66.5%	74.0%
Room Service	7.8	9.0	5.3	4.6
Banquet	21.8	22.8	22.5	17.0
Bar/Lounge	3.0%	5.9%	2.7%	2.1%
Amount Per Seat				
Dining Room	$3,761	$3,311	$4,402	$6,730
Banquet	1,013	925	2,250	1,380
Bar/Lounge	597	267	1,572	330
Total	$2,213	$1,671	$4,721	$2,706
Average Check				
Dining Room	$6.33	$4.84	$6.64	$8.86
Room Service	5.10	3.67	5.14	7.32
Banquet	9.35	7.50	10.43	11.31
Total	$6.37	$4.77	$5.46	$9.15
Covers Served Per Seat				
Dining Room	657	648	716	437
Banquet	120	115	165	103

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-9 (continued)
Food and Beverage Statistics*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Room Service Sales				
Per Occupied Room				
Food	$2.45	$2.46	$2.66	$1.72
Beverage	.49	.53	.39	.51
Total	$2.79	$2.91	$2.89	$2.24
Per Guest				
Food	$1.73	$1.94	$2.12	$1.10
Beverage	.35	.41	.26	.29
Total	$2.23	$2.43	$2.27	$1.61
Beverage Sales — By Facility				
Amount Per Available Room				
Dining Room	$1.125	$ 527	$1.419	$1.482
Room Service	116	113	101	137
Banquet	284	87	572	522
Bar/Lounge	1.156	855	1.240	2.177
Total	$2.944	$2.037	$3.105	$4.767
Ratio to Total Beverage Sales				
Dining Room	31.5%	26.7%	39.4%	39.9%
Room Service	2.8	9.3	2.1	1.9
Banquet	12.0	10.0	17.8	12.8
Bar/Lounge	40.8%	43.9%	30.4%	45.4%
Ratio to Food Sales				
Dining Room	21.5%	21.5%	19.9%	21.8%
Room Service	17.0	20.7	12.3	15.6
Banquet	25.8	22.0	26.6	29.6
Total (Including Bar/Lounge)	35.7%	33.8%	35.6%	38.5%
Amount Per Seat				
Dining Room	$ 920	$ 462	$1.336	$1.411
Banquet	294	60	903	514
Bar/Lounge	3.397	2.798	3.744	3.703
Total	$1.155	$ 706	$1.595	$1.605

*All figures are medians and do not necessarily add to totals shown.

Payroll and related expenses

Exhibit II-10 displays information about payroll, employee benefits and employment statistics for properties in Region II. The amounts per room, costs per employee, and net payroll and related expenses were considerably higher for properties in the Pacific Islands than in either Asian or Far Eastern properties. With the total number of full-time equivalent employees per 100 available rooms rising from 75.
in 1981 to 87.1 in 1982, Pacific Island hotels recorde
a 13 percent decrease in total sales per employee.

Undistributed operating expenses

Undistributed operating expenses for the regio
are presented in Exhibit II-11. The analysis contain
measurements in three categories: cost per availabl

Exhibit II-10
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 6,088	$ 2,841	$ 4,382	$ 8,871
Net Payroll & Related Expenses**	6,290	4,385	6,036	12,558
Employee Benefits — Ratio to Cash Payroll	43.6%	53.6%	37.9%	42.1%
Cost Per Employee				
Cash Payroll	$ 3,601	$ 1,836	$ 3,015	$14,310
Net Payroll & Related Expenses**	3,787	2,330	3,653	17,343
Employment Statistics				
Sales Per Employee				
Rooms	$37,447	$28,382	$33,304	$79,992
Food & Beverage	17,429	10,665	17,608	37,591
Telephone	44,985	25,472	60,227	79,837
Minor Departments	16,811	10,182	28,632	66,418
Total Sales Per Employee	$20,175	$13,334	$19,770	$43,491
Productivity Index				
1982	3.42	6.21	3.42	3.19
1981	3.97	4.65	6.07	3.24
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	34.8	40.5	28.8	27.6
Food & Beverage	60.5	63.9	64.3	45.4
Telephone	2.6	3.4	2.3	1.4
Minor Departments	4.2	6.5	3.0	.9
Administrative & General	11.1	14.5	11.4	7.1
Marketing — Sales	2.3	2.2	2.8	1.3
Marketing — Other	1.3	1.2	1.4	1.7
Property Operation & Maintenance	9.9	17.1	6.3	5.2
Personnel	1.1	1.8	.8	.7
House Laundry	3.7	5.0	5.8	2.6
Other	.6	1.1	.4	.5
Total	134.7	159.2	134.7	87.1

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.

room, ratio to room sales and ratio to total sales. Administrative and general expenses declined for all areas in this region, both per available room and in relation to total sales. This reduction is largely due to the exclusion of management fees from administrative and general expenses. In this year's report, management fees are analyzed as a separate line item in Exhibits II-17 and II-18. The three subregions all registered large declines in these expenses in relation to total sales. Surprisingly, marketing expenditures increased at properties in the Far East and the Pacific Islands in relation to total sales. This increased marketing effort was probably an attempt to curb falling occupancy throughout the year.

Exhibit II-11
Analysis of Undistributed Operating Expenses*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,007	$ 879	$ 784	$1,452
Other	931	818	1,055	996
Total	$2,017	$1,721	$1,742	$2,423
Ratio to:				
Room Sales	15.1%	13.8%	18.2%	17.7%
Total Sales — 1982	7.6	7.5	7.2	7.8
Total Sales — 1981	11.7	12.2	9.9	11.8
Increase (Decrease)	(53.9)%	(38.5)%	(27.3)%	(33.9)%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 251	$ 116	$ 220	$ 326
Other	862	513	867	1,002
Total	$1,086	$ 630	$1,086	$1,333
Ratio to:				
Room Sales	7.6%	6.7%	10.0%	7.7%
Total Sales — 1982	3.7	3.5	4.1	3.7
Total Sales — 1981	3.5	3.5	3.5	3.4
Increase (Decrease)	5.7%	—	17.1%	8.8%
Energy Costs				
Cost Per Available Room	$1,575	$1,449	$1,713	$1,502
Ratio to:				
Room Sales	13.9%	15.7%	16.9%	7.4%
Total Sales — 1982	6.3	7.9	6.5	4.2
Total Sales — 1981	5.6	7.1	5.7	3.8
Increase (Decrease)	12.5%	11.3%	14.0%	10.5%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 533	$ 469	$ 428	$1,071
Other	832	768	1,274	1,009
Total	$1,466	$1,191	$1,636	$1,971
Ratio to:				
Room Sales	12.9%	12.8%	13.2%	12.8%
Total Sales — 1982	6.1	6.6	5.4	6.1
Total Sales — 1981	5.2	5.7	4.4	5.2
Increase (Decrease)	[illegible]%	15.8%	22.7%	17.3%

*All figures are medians and do not necessarily add to totals shown.

Led by a 17 percent increase by properties located in the Pacific Islands, energy costs per occupied room per day rose in every area except for Asian properties, where there was a slight decline. The steady rise in energy costs experienced by Far Eastern properties since 1979 continued, as shown in Exhibit II-12.

Credit and collection data

The method of payment for hotel services differed across the subregions, as illustrated by Exhibit II-13. Cash was most frequently used in Asia, while in the Far East and Pacific Islands payments were most often made with credit cards. However, as a result of the large number of resorts in the Pacific Islands, travel agents and tour operators accounted for a substantial portion of payments. Exhibit II-14 shows credit card usage. With credit cards becoming an increasingly popular method of payment for hotel services in the Far East and Pacific Islands, it is not surprising that the annual cost per occupied room rose in those areas in 1982.

Exhibit II-12
Energy Costs Per Occupied Room Per Day*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Fuel	$1.23	$1.21	$1.33	$1.15
Electricity	5.18	5.28	5.99	4.22
Water	.48	.51	.70	.42
Steam	.05	.10	.05	.02
Credit for Sale of Energy	(.36)	(.98)	(.36)	(.21)
Net Energy Cost — 1982	$6.80	$5.90	$7.81	$5.24
Net Energy Cost — 1981	$5.83	$6.04	$7.26	$4.48
Increase (Decrease)	16.6%	(2.3)%	7.6%	17.0%

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-13
Method of Payment for Hotel Services*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Cash	28.2%	31.4%	23.4%	24.0%
Credit Card	28.6	23.7	37.7	30.5
Travel Agents & Tour Operators	18.6	17.9	11.9	28.5
All Other Credit	24.6	27.0	27.0	17.0

*Based on arithmetic mean.

Exhibit II-14
Credit Card Commission
Annual Cost Per Occupied Room*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Annual Cost Per Occupied Room	$312	$153	$577	$330
Ratio to Total Sales	8%	7%	11%	8%

*All figures are medians.

Fixed charges

Exhibit II-15 shows a comparison of the median amounts per available room and ratios to total sales of fixed charges, which include rent, property taxes, insurance on buildings and contents, interest and depreciation. After showing a major increase in 1981, total fixed charges for Asian properties fell 36.8 percent in 1982 as a ratio to total sales. Far Eastern properties, however, reported the opposite as total income before fixed charges jumped to 9.6 percent of total sales, a 60 percent increase compared with 1981.

Balance sheet statistics

For properties reporting in Region II, Exhibit II-16 lists the typical liquidity ratios, those used to measure the extent to which a company can cover current obligations. The current position of Pacific Island hotels jumped sharply in 1982 to $1.30 from the $.85 reported in 1981. In the two other areas liquidity remained at or near the 1981 levels.

Exhibits II-17 and II-18 contain the median amounts per available room and ratios to total sales for the region and subregions. The analysis of management fees is included in these exhibits.

Exhibit II-15
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Amount Per Room				
Rent	$1,809	$ 186	$4,502	$1,442
Property Taxes	474	166	548	783
Insurance on Buildings & Contents	80	53	108	94
Interest Expense	435	423	**	375
Depreciation & Amortization	957	931	$1,299	1,002
Total Fixed Charges	$2,176	$1,478	$2,447	$4,650
Ratio to Total Sales—1982	10.4%	7.4%	9.6%	10.8%
Ratio to Total Sales—1981	10.6	11.7	6.0	10.9
Increase (Decrease)	(1.9)%	(36.8)%	60.0%	(0.9)%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit II-16
Balance Sheet Statistics—Liquidity Ratios*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Current Position:				
Ratio of Current Assets to Current Liabilities	$1.17	$1.21	$1.22	$ .85
Accounts Receivable:				
Amount Per Room	$2,231	$2,263	$2,972	$1,626
Ratio to Total Sales	8.0%	9.6%	7.3%	4.4%
Food Inventory				
Amount Per Room	$ 143	$ 121	$ 190	$ 147
Annual Turnover	22.6	23.9	19.7	22.4
Beverage Inventory				
Amount Per Room	$ 184	$ 152	$ 184	$ 340
Annual Turnover	5.0	5.3	4.0	5.7
Operting Supplies Inventory				
Amount Per Room	$1,290	$2,355	$2,215	$ 723

*All figures are medians.

Exhibit II-17
Statement of Income and Expenses—Median Amounts Per Available Room*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Rooms				
Sales	$13,679	$12,418	$14,364	$16,582
Departmental Expenses				
Payroll & Related Expenses	1,594	827	1,120	3,393
Other	1,346	821	1,633	1,892
Total	3,185	1,680	2,725	5,213
Departmental Income	10,432	10,196	10,978	11,715
Food & Beverage				
Sales				
Food	7,199	4,972	8,253	8,883
Beverage	2,944	2,037	3,105	4,767
Total	10,015	6,789	11,327	12,948
Cost of Sales				
Food	2,500	1,841	2,904	2,875
Beverage	626	549	647	855
Total	3,039	2,462	3,435	4,094
Gross Profit	6,840	4,547	8,175	8,963
Public Room Sales	100	71	126	59
Other Income	106	82	118	124
Gross Profit & Other Income	6,941	4,561	8,308	9,463
Departmental Expenses				
Payroll & Related Expenses	2,887	1,656	2,861	5,959
Other	1,399	1,125	1,587	1,653
Total	4,093	2,837	4,208	7,054
Departmental Income	2,489	2,184	4,112	2,409
Telephone Departmental Income	33	53	63	(201)
Net Income From Minor Operated Departments	264	310	282	42
Rentals & Other Income	731	714	463	805
Gross Income	14,672	13,622	17,273	15,905
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,007	879	784	1,452
Other	931	818	1,055	996
Total	2,017	1,721	1,742	2,423
Marketing	1,086	630	1,086	1,333
Energy Costs	1,575	1,449	1,713	1,502
Property Operation & Maintenance	1,466	1,191	1,636	1,971
Total Undistributed Expenses	6,388	5,470	6,513	7,706
Income Before Management Fees	7,814	7,783	11,597	7,638
Management Fees	1,372	1,204	1,091	1,494
Income Before Fixed Charges	7,819	7,301	11,597	6,723
Property Taxes & Insurance	555	219	656	877
Income Before Interest and Depreciation	$ 4,883	$ 5,284	$ 5,839	$ 3,957

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-18
Ratio to Total Sales*
Asia and Australasia

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Asia	Far East	Pacific Islands
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	12.2	9.7	12.2	20.4
Other	10.1	8.1	11.4	13.6
Total	24.4	17.9	23.6	31.7
Departmental Income	75.6	82.1	76.4	68.3
Ratio to Total Sales	35.2	40.8	30.3	33.5
Food & Beverage				
Sales				
Food	73.7	74.8	73.7	72.2
Beverage	26.3	25.2	26.3	27.8
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	34.8	35.5	35.2	31.2
Beverage	22.4	25.7	20.9	21.6
Total	30.8	32.4	31.0	28.7
Gross Profit	69.2	67.7	69.0	71.3
Public Room Sales	1.0	.9	1.0	.9
Other Income	1.2	1.3	1.2	1.1
Gross Profit & Other Income	71.5	69.5	70.9	73.5
Departmental Expenses				
Payroll & Related Expenses	30.2	22.4	24.4	44.4
Other	13.5	15.9	13.3	13.5
Total	43.5	37.6	37.1	56.6
Departmental Income	25.5	33.9	34.1	18.9
Ratio to Total Sales	9.7	12.9	15.1	6.8
Telephone Departmental Profit	.2	.3	.3	(.6)
Net Income From Minor Operated Departments	1.0	1.6	1.4	.2
Rentals & Other Income	2.4	3.1	1.8	2.3
Gross Income	52.3	59.2	54.2	43.4
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	4.1	3.9	2.9	4.4
Other	3.6	3.6	3.1	3.3
Total	7.6	7.5	7.2	7.8
Marketing	3.7	3.5	4.1	3.7
Energy Costs	6.3	7.9	6.5	4.2
Property Operation & Maintenance	6.1	6.6	5.4	6.1
Total Undistributed Expenses	22.9	24.6	25.5	21.5
Income Before Management Fees	28.9	36.5	27.2	20.7
Management Fees	4.7	5.4	4.3	4.2
Income Before Fixed Charges	26.0	31.0	27.2	20.6
Property Taxes & Insurance	1.6	.9	.9	2.3
Income Before Interest & Depreciation	18.7	28.1	20.1	7.8

*All figures are medians and do not necessarily add to totals shown.

Region III
North America

Profile of contributors

This section presents data for the North American region, including the subregions of Canada, the United States and the Caribbean Islands. The typical contributor from the region is identified and defined in Exhibit III-1, and the highlights of the analysis of operating results are shown in Exhibit III-2.

For the second consecutive year, North American properties were severely affected by the continuing worldwide recession, as room occupancy declined 7 percent below 1981 levels. The effect of the recession on North American properties was more pronounced in 1982 than in the preceding year. Total revenue decreased 10 percent per room and income before income taxes per room was 76 percent lower than in 1981. The median average daily rate per occupied room increased 2.8 percent to $56.91 for reporting North American properties.

In addition to the profit information presented in last year's report, the 1983 edition has an expanded regional analysis that includes the source and distribution of the dollar, market data and the nationality of guests. As shown in Chart 4, revenue generated from room sales was 57.2 percent of total sales, the highest percentage reported in the five regions covered in this analysis. On the expenditure side, hotels in North America reported the highest payroll and related expenses and interest expenses in this study at 36.5 percent and 6.2 percent respectively. These higher expenses translated before income taxes for North American hotels were a relatively poor 1.8 percent of total sales.

Exhibit III-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
North America

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	300–600 rooms
Occupancy	60%–69%
Average Rate	$55.00 and over (U.S.)
Sales Volume	Over $6 Million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1982

Exhibit III-2
Highlights*
North America

- Total revenue decreased 10.0 percent on a per room basis.
- Room occupancy declined 7.0 percent to 64.0 percent compared with 68.8 percent in 1981.
- The average daily rate per occupied room was $56.91 compared with $55.32 in 1981, an increase of 2.8 percent.
- Payroll and related expenses per room dropped 11.2 percent from $9,145 to $8,121.
- Income before income taxes was 76 percent lower than 1981 on a per room basis.

*Based on medians.

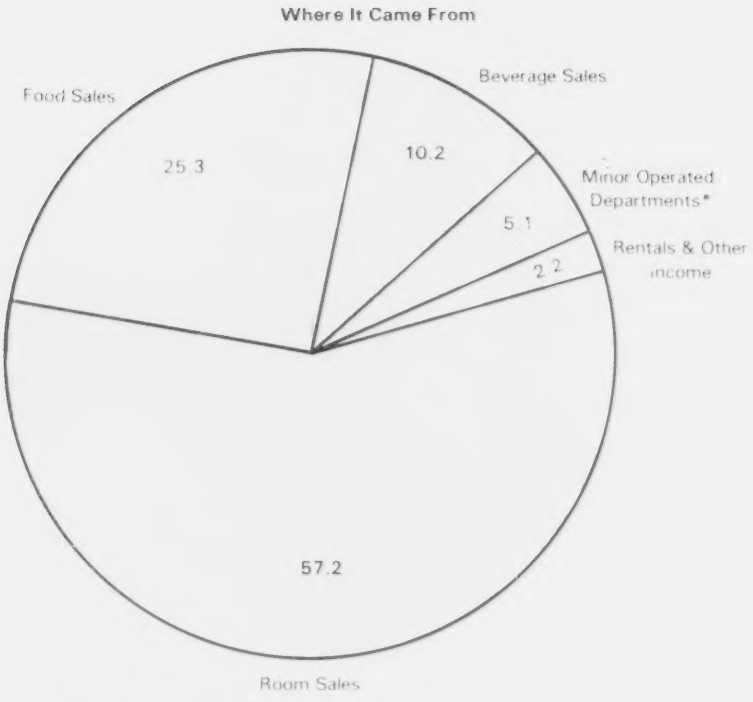
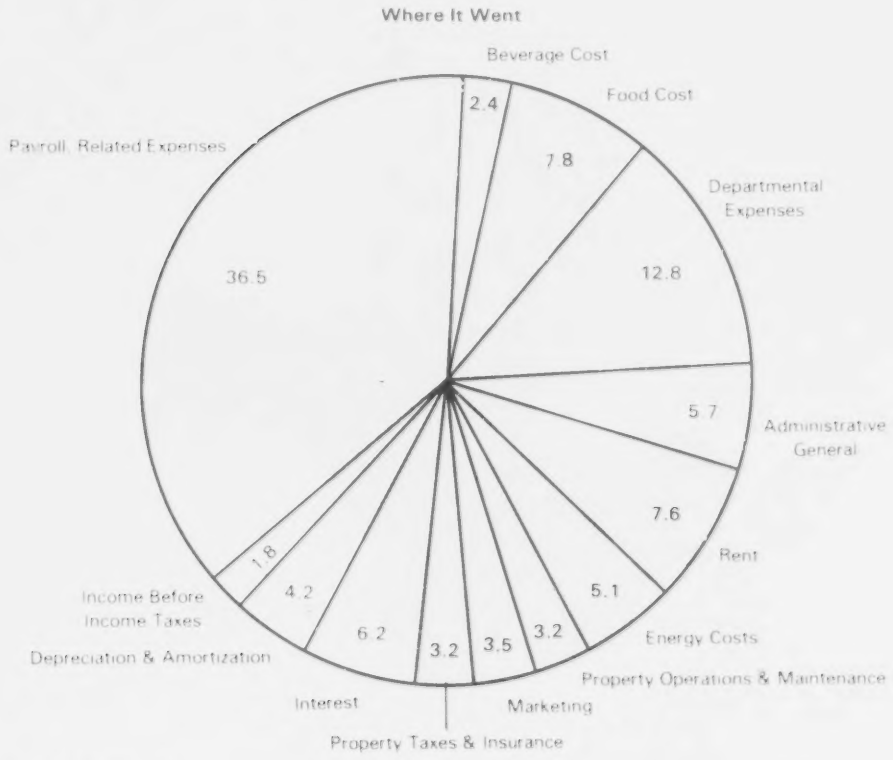


Chart 4: North America
Percentage Distribution of Revenue and Expenses



*Including telephone

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The percentage of guests from domestic sources was higher for Canadian and American hotels than for any other subregions analyzed in this study, as shown in Exhibit III-3. Business travelers constituted the single largest segment of the market for Canadian properties. However, for hotels in both the U.S. and the Caribbean, tourists represented the largest single segment. American properties reported the most diversified customer base as businessmen, tourists and conference participants each represented about 30 percent of their market. The composition of advance reservations varied according to subregion. In Canada, the most popular method was to make direct reservations with the hotel, while reservation systems were used widely in the U.S. and travel agents and tour operators were most frequently used in the Caribbean.

Exhibit III-4 presents the nationality of guests for the total area and by subregion. The only major change recorded in the ranking was for Mexican travelers, who fell to 11th position in 1983. This was largely due to the economic policy instituted by their government last year.

Performance measurements

Exhibit III-5 presents comparisons of total sales and income for the properties included in this section. Median total sales per available room dropped for each subregion in 1982, with Canadian properties registering the largest decline at 17.8 percent. Despite a 16 percent drop in total sales, Caribbean properties registered a significant increase in income before fixed charges per available room. However, they were not able to translate this into income

Exhibit III-3
Market Data*

	Total Region	Canada	United States	Caribbean
Source of Business				
Domestic	58.1%	72.8%	85.8%	23.2%
Foreign	41.9	27.2	14.2	76.8
Percentage of Repeat Business	40.7%	49.2%	37.8%	33.0%
Composition of Market				
Government Officials	5.1%	11.2%	1.8%	2.8%
Businessmen	28.2	36.8	29.1	15.4
Tourists	40.6	24.7	34.4	71.1
Conference Participants	20.6	17.7	30.9	7.6
Other	5.5	9.6	3.8	3.1
Percentage of Advance Reservations	83.3%	77.7%	88.4%	86.3%
Composition of Advance Reservations				
Direct	34.8%	43.7%	40.1%	18.4%
Reservation Systems	34.0	26.0	42.7	35.1
Travel Agents & Tour Operators	29.0	27.0	16.0	44.8
Other	2.2	3.3	1.2	1.7
Ratio of Travel Agent Commissions to Room Sales	1.2%	1.2%	1.0%	6.2%

*Arithmetic mean

before income taxes and a loss was registered for the second time in the last three years. Canadian and American properties also reported large declines in income before income taxes in 1982.

Also illustrated in Exhibit III-5 is the ratio of income before fixed charges to room sales and total sales, and the number of times the average room rate was earned. An examination of these measurements of operating efficiency reveals that 1982 was a difficult year for properties in Canada and the United States. Hotels in both areas reported declines in the ratio of income before fixed charges to both room sales and total sales. While Caribbean properties reported an increase in both these ratios in 1982, these results were still far below those recorded by their North American counterparts. Declines were reported in all three areas in the number of times the average rate was earned.

Exhibit III-4
Nationality of Guests—1982*
All Hotels

	Rank					
	1982	1981	Total Region	Canada	United States	Caribbean
American	1	1	51.3%	22.7%	88.6%	53.1%
Canadian	2	2	30.3	70.8	1.8	7.7
British	3	3	5.2	1.0	1.0	13.4
South American	4	6	2.1	1	1.2	5.2
Other European	5	4	2.0	.9	1.7	3.4
Japanese	6	7	1.9	1.1	1.5	3.0
German	7	8	1.7	.5	.4	4.1
French	8	10	1.4	1.1	.6	2.5
Central American	9	9	1.0	.2	.4	2.6
Italian	10	14	.8	.4	.2	1.9
Mexican	11	5	.7	.5	.8	.8
Scandinavian	12	12	.5	.3	.1	1.0
Middle Eastern	13	11	.4	.1	.8	.2
Other Asian	14	13	.3	.1	.6	.3
Australasian	15	15	.2	.2	.2	.3
Other African	16	16	.2	0	.1	.5
North African	17	17	0	0	0	0

*Arithmetic mean

Exhibit III-5
Comparison of Sales and Profitability
North America

	Total Region		Canada		United States		Caribbean	
	1982	1981	1982	1981	1982	1981	1982	1981
Amounts Per Available Room								
Total Sales	$23,222	$25,803	$21,185	$25,769	$25,084	$25,933	$19,791	$23,619
Income Before Fixed Charges	4,015	6,067	3,778	5,621	5,586	6,427	1,761	515
Net Income** or (Loss)	$ 320	$ 1,355	$ 565	$ 1,762	$ 378	$ 1,383	$ (14)	$ 150
Ratio of Income Before Fixed Charges								
Room Sales	33.9%	43.5%	41.5%	46.0%	38.3%	43.5%	13.8%	4.2%
Total Sales	18.6	24.3	21.1	22.9	21.7	25.6	8.3	2.2
Number of Times Average Rate was Earned	86	116	91	123	92	114	39	112
Increase (Decrease)	(25.9)%		(26.0)%		(19.3)%		(65.2)%	

*All figures are medians
**Before income tax

Occupancy and average rate

The comparison of room occupancy, number of guests per room and the average daily rate per occupied room and per guest is shown in Exhibit III-6. Hotels in Canada, the U.S. and the Caribbean experienced large declines in occupancy, 9.1 percent, 7.4 percent and 6.7 percent respectively in 1982. However, properties in each area reported increases in the number of guests per room indicating that economic pressures were forcing travelers to double up whenever possible. Properties in the U.S. and Caribbean reported room rate increases in 1982. However, their Canadian neighbors recorded an 11.7 percent drop in room rates. This drop in room rates, together with the reported drop in occupancy, had a severe impact on profit margins for Canadian hotels, resulting in nearly a 68 percent drop in income before income taxes, as shown in Exhibit III-5.

Analysis of sales

More than 58 percent of total revenue was derived from guest room rentals in hotels in the U.S., which was more than Canadian but less than Caribbean properties. This finding has been consistent for several years and is in large part the result of the greater competition from independent restaurant operators that hotels in the United States face. Consequently, revenue generated by the food and beverage departments is not at the level that their counterparts in other parts of the world are able to attain. Exhibit III-7 shows the composition of sales for the North American subregions.

Exhibit III-6
Occupancy, Double Occupancy, Room Rates*
North America

	Total Region		Canada		United States		Caribbean	
	1982	1981	1982	1981	1982	1981	1982	1981
Annual Room Occupancy	64.0%	68.8%	62.1%	68.3%	64.7%	69.9%	64.1%	68.4%
Number of Guests Per Room	1.45	1.35	1.44	1.39	1.39	1.34	1.97	1.58
Average Daily Rate								
Per Room (U.S. Dollars)	$56.91	$55.32	$43.61	$49.39	$61.50	$56.07	$69.26	$53.49
Per Guest (U.S. Dollars)	40.17	41.89	33.84	37.15	46.03	43.74	33.23	43.02

*All figures are medians.

Exhibit III-7
Composition of Sales*
North America

	Total Region	Canada	United States	Caribbean
Rooms	57.9%	51.0%	58.5%	64.9%
Food	24.6	26.0	25.7	20.0
Beverage	11.1	18.1	9.5	7.2
Telephone	2.4	2.1	2.8	1.6
Minor Operated Departments	2.0	1.0	1.7	3.6
Rentals & Other Income	2.0	1.8	1.8	2.7
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Revenue and expenses for minor operated departments per available room and ratios to sales are presented in Exhibit III-8. The properties reporting in all three subregions showed a net departmental loss in the telephone department. The amounts of these losses were smaller than those reported in 1981. However, Canadian, U.S. and Caribbean hotel operators have yet to make the changes necessary to convert the telephone department into a revenue generator.

Exhibit III-8
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
North America

	Total Region	Canada	United States	Caribbean
Telephone				
Amount Per Available Room				
Sales	$ 547	$ 441	$ 676	$ 320
Cost of Sales				
Cost of Calls	420	289	514	329
Equipment Rental	177	204	160	169
Total	611	484	667	411
Payroll & Related Expenses	172	154	201	109
All Other Expenses	6	6	7	4
Total Cost & Expenses	733	602	842	487
Net Departmental Income or (Loss)	$(154)	$(135)	$(158)	$(136)
Ratio to Total Sales				
Sales	2.6%	2.1%	2.8%	1.3%
Cost of Sales	2.6	2.5	2.8%	1.7
Payroll & Related Expenses	7	7	8	5
Minor Operated Departments				
Amount Per Available Room				
Sales	$ 257	$ 274	$ 179	$ 238
Cost of Sales	73	124	66	83
Payroll & Related Expenses	117	146	114	107
Other Expenses	22	17	17	101
Total Costs & Expenses	196	221	156	215
Net Departmental Income	$ 35	$ 38	$ 34	$ 70
Ratio to Total Sales				
Sales	11%	15%	8%	14%
Cost of Sales	3	5	3	7
Payroll & Related Expenses	6	6	5	6
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 114	$ 90	$ 114	$ 167
Concessions	58	58	44	122
Commissions	39	15	57	10
Other	153	157	125	251
Total Rentals & Other Income	$ 355	$ 292	$ 351	$ 487
Ratio to Total Sales	1.5%	1.4%	1.5%	1.9%

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Food and beverage statistics for those properties providing the detail are given in Exhibit III-9. Properties in the U.S. once again reported the highest amount of food sales per seat in 1982. But in contrast to last year's study, they also reported the highest amount of beverage sales per seat at $8.15. Most of the other measures reported in this exhibit are consistent with the information presented in the report for last year. However, the number of covers served per seat in the dining room in Canadian and U.S. properties was off considerably in 1982. This was probably due to the decreased occupancy rates experienced by hotels in those areas.

Exhibit III-9
Food and Beverage Statistics*
North America

	Total Region	Canada	United States	Caribbean
Food Sales — By Facility				
Amount Per Available Room				
Dining Room	$3.139	$2.922	$3.139	$3.614
Room Service	416	363	483	198
Banquet	1.996	1.581	2.452	729
Bar/Lounge	131	275	80	115
Total	$5.450	$4.943	$6.035	$4.168
Ratio to Total Sales				
Dining Room	55.5%	59.9%	51.6%	86.1%
Room Service	7.3	7.0	8.0	6.2
Banquet	35.8	31.6	41.7	13.5
Bar/Lounge	2.2%	4.8%	1.5%	3.1%
Amount Per Seat				
Dining Room	$4.050	$3.963	$5.229	$1.870
Banquet	705	597	842	707
Bar/Lounge	452	452	401	333
Total	$1.525	$1.118	$2.172	$1.346
Average Check				
Dining Room	$ 6.54	$ 6.24	$ 6.86	$ 7.53
Room Service	5.78	5.41	7.69	3.48
Banquet	11.09	9.22	12.67	7.72
Total	$ 8.04	$ 6.96	$ 8.79	$ 7.21
Covers Served Per Seat				
Dining Room	596	654	643	433
Banquet	64	59	70	60

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-9 (continued)
Food and Beverage Statistics*
North America

	Total Region	Canada	United States	Caribbean
Room Service Sales				
Per Occupied Room				
Food	$ 1.85	$ 1.61	$ 2.11	$ 1.20
Beverage	.60	.58	.73	.42
Total	$ 2.51	$ 2.16	$ 2.74	$ 1.43
Per Guest				
Food	$ 1.22	$ 1.24	$ 1.45	$ .92
Beverage	.41	.42	.42	.31
Total	$ 1.70	$ 1.73	$ 1.86	$ .98
Beverage Sales — By Facility				
Amount Per Available Room				
Dining Room	$ 689	$ 517	$ 728	$ 612
Room Service	135	124	162	82
Banquet	643	688	674	231
Bar/Lounge	1.054	1.371	903	1.001
Total	$2.483	$3.561	$2.343	$1.393
Ratio to Total Beverage Sales				
Dining Room	25.5%	19.4%	28.6%	32.3%
Room Service	5.7	4.4	6.6	4.1
Banquet	22.1	17.9	25.5	14.5
Bar/Lounge	45.7%	56.5%	38.8%	65.1%
Ratio to Food Sales				
Dining Room	19.9%	21.6%	19.9%	15.6%
Room Service	32.7	36.3	30.0	30.7
Banquet	29.7	40.8	25.1	38.7
Total (Including Bar/Lounge)	41.0%	66.7%	38.6%	36.0%
Amount Per Seat				
Dining Room	$ 772	$ 848	$ 886	$ 311
Banquet	234	234	240	271
Bar/Lounge	2.284	2.602	3.288	944
Total	$ 707	$ 723	$ 815	$ 425

*All figures are medians and do not necessarily add to totals shown.

Payroll and related expenses

An analysis of information about payroll, employee benefits and employment statistics for Region III is displayed in Exhibit III-10. Total sales per employee dropped 24 percent for properties reporting from the Caribbean, largely due to the increased staff reported by those properties, particularly in their food and beverage departments. U.S. and Canadian hotels reported declines in the number of full-time equivalent employees per 100 available rooms of 13.8 percent and 12 percent respectively. Also shown in the exhibit is the productivity index, which is calculated by dividing total sales by net payroll and related expenses.

Undistributed operating expenses

Exhibit III-11 presents an analysis of the undistributed operating expenses for this region. Cost per

Exhibit III-10
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
North America

	Total Region	Canada	United States	Caribbean
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 6,407	$ 6,702	$ 6,530	$ 2,772
Net Payroll & Related Expenses**	8,121	7,846	8,623	4,191
Employee Benefits				
Ratio to Cash Payroll	26.2%	21.1%	30.7%	35.8%
Cost Per Employee				
Cash Payroll	$10,966	$ 9,263	$14,375	$ 2,570
Net Payroll & Related Expenses**	13,767	11,788	18,245	3,993
Employment Statistics				
Sales Per Employee				
Rooms	$66,519	$60,030	$88,666	$50,930
Food & Beverage	27,317	22,454	37,971	12,787
Telephone	49,935	39,225	60,352	29,712
Minor Departments	32,831	20,677	47,247	19,378
Total Sales Per Employee	$36,000	$30,770	$47,495	$18,198
Productivity Index				
1982	3.45	2.66	2.76	3.87
1981	2.92	2.76	2.98	2.54
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	20.1	17.7	17.9	28.1
Food & Beverage	35.7	35.5	25.7	52.0
Telephone	1.1	1.1	1.0	1.8
Minor Departments	1.7	1.7	1.0	5.7
Administrative & General	5.4	4.5	4.4	14.5
Marketing—Sales	1.5	1.4	1.5	1.2
Marketing—Other	4	2	3	6
Property Operation & Maintenance	3.7	3.0	3.0	10.2
Personnel	6	7	5	1.0
House Laundry	2.3	2.5	1.6	3.9
Other	1.2	1.8	1.2	5
Total	67.8	66.5	56.2	119.1

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.

available room, ratio to room sales and ratio to total sales for 1982 are shown together with the percentage variance. This year's report does not analyze management fees as an administrative and general expense. Management fees are included as a separate line item in Exhibits III-17 and III-18. For the second consecutive year, Caribbean properties were forced to curtail expenditures in the face of falling revenue, as evidenced by decreases in all undistributed operating expenses from 1981 levels, in both the amount per available room and the ratio to total sales. Energy costs per available room dropped for Canadian properties and increased for U.S. hotels.

Exhibit III-11
Analysis of Undistributed Operating Expenses*
North America

	Total Region	Canada	United States	Caribbean
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,121	$ 901	$1,188	$1,005
Other	1,074	895	1,152	1,321
Total	$2,270	$1,950	$2,329	$2,247
Ratio to				
Room Sales	16.8%	17.9%	15.8%	20.1%
Total Sales — 1982	9.1	8.9	9.1	10.5
Total Sales — 1981	10.8	9.3	10.9	12.8
Increase (Decrease)	(15.7%)	(4.3%)	(16.5%)	(18.0%)
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 359	$ 279	$ 406	$ 111
Other	822	745	862	708
Total	$1,184	$ 907	$1,276	$ 663
Ratio to				
Room Sales	8.3%	9.0%	8.4%	7.1%
Total Sales — 1982	4.7	4.3	4.9	3.8
Total Sales — 1981	4.5	4.2	4.5	4.0
Increase (Decrease)	4.4%	2.4%	8.9%	(5.0%)
Energy Costs				
Cost Per Available Room	$1,072	$ 767	$1,211	$1,386
Ratio to				
Room Sales	8.9%	8.0%	9.2%	10.7%
Total Sales — 1982	4.8	3.8	5.0	5.5
Total Sales — 1981	4.8	3.3	4.9	6.0
Increase (Decrease)		15.2%	2.0%	(8.3%)
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 623	$ 430	$ 691	$ 599
Other	715	676	708	1,130
Total	$1,364	$1,194	$1,411	$1,597
Ratio to				
Room Sales	10.3%	11.3%	9.9%	13.0%
Total Sales — 1982	5.7	5.9	5.5	7.7
Total Sales — 1981	5.3	6.0	5.2	8.8
Increase (Decrease)	7.5%	(1.7%)	5.8%	(12.5%)

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-12 shows energy costs per occupied room per day for Region III. With increased electric costs leading the way, properties in the U.S. reported an 8.9 percent increase in net energy cost per occupied room per day in 1982. For Canadian hotels, falling electric costs enabled these properties to record a drop in net energy costs.

Credit and collection data

Hotels in the U.S. reported that 51.9 percent of their guests settled their accounts with credit cards, according to Exhibit III-13. Travelers in the U.S. have a definite preference for using this method of payment, and hotels in this area have continually reported the highest credit rate usage of any area in the study. Conversely, only 2.8 percent of guests at U.S. hotels have their accounts settled by travel agents and tour operators.

As expected, the amount per occupied room of credit card commissions was much higher for U.S. properties than for those of the other areas. Exhibit III-14 shows credit card usage for the three subregions in Region III.

Exhibit III-12
Energy Costs Per Occupied Room Per Day*
North America

	Total Region	Canada	United States	Caribbean
Fuel	$1.01	$1.26	$1.03	$ .74
Electricity	3.33	1.65	3.57	5.47
Water	.41	.28	.41	.67
Steam	2.05	1.78	2.62	.30
Credit for Sale of Energy	(.16)	(.09)	(.11)	(.32)
Net Energy Cost — 1982	$4.95	$3.40	$5.39	$ 5.98
Net Energy Cost — 1981	$4.88	$3.53	$4.95	$10.43
Increase (Decrease)	1.4%	(3.7)%	8.9%	(42.7)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-13
Method of Payment for Hotel Services*
North America

	Total Region	Canada	United States	Caribbean
Cash	28.6%	33.2%	22.5%	28.6%
Credit Card	39.3	41.8	51.9	23.5
Travel Agents & Tour Operators	14.6	9.6	2.8	32.9
All Other Credit	17.5	15.4	22.8	15.0

*Based on arithmetic mean.

Exhibit III-14
Credit Card Commission
Annual Cost Per Occupied Room*
North America

	Total Region	Canada	United States	Caribbean
Annual Cost Per Occupied Room	$472	$360	$548	$173
Ratio to Total Sales	1.3%	1.1%	1.4%	6%

*All figures are medians.

Fixed charges

Exhibit III-15 shows a comparison by area of the median amounts per available room and ratios to total sales of fixed charges, which include rent, property taxes, insurance on building and contents, and interest and depreciation. For Canadian and U.S. properties, the increase reported in the ratio of total fixed charges to total sales was more a function of a reduction in total sales than an increase in total fixed charges. For both groups, total fixed charges per room were below 1981 levels.

Balance sheet statistics

The typical liquidity ratios, those used to measure the extent to which a company can cover current obligations, are listed in Exhibit III-16. With the exception of Caribbean properties, liquidity was up in 1982 for hotels in North America. The largest increase was recorded by Canadian properties, whose current position rose from $.58 to $.92 in 1982.

Exhibits III-17 and III-18 contain the median amounts per available room and ratios to total sales for North America. For the first time this year, management fees are analyzed as a separate line item in these exhibits.

Exhibit III-15
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
North America

	Total Region	Canada	United States	Caribbean
Amount Per Room				
Rent	$ 606	$ 412	$1,285	$ 589
Property Taxes	647	1,086	607	97
Insurance on Buildings & Contents	94	69	92	180
Interest Expense	1,226	1,594	1,915	751
Depreciation & Amortization	1,149	944	1,729	855
Total Fixed Charges	$3,497	$3,524	$5,005	$2,190
Ratio to Total Sales — 1982	16.7%	19.3%	21.6%	8.7%
Ratio to Total Sales — 1981	18.4	13.6	20.1	14.6
Increase (Decrease)	(9.2)%	41.9%	7.5%	(40.4)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-16
Balance Sheet Statistics—Liquidity Ratios*
North America

	Total Region	Canada	United States	Caribbean
Current Position:				
Ratio of Current Assets to Current Liabilities	$ .92	$ .92	$ 1.20	$ .65
Accounts Receivable:				
Amount Per Room	$1,060	$ 599	$1,083	$1,470
Ratio to Total Sales	4.4%	3.0%	4.0%	5.8%
Food Inventory				
Amount Per Room	$ 112	$ 112	$ 90	$ 168
Annual Turnover	18.9	19.8	28.0	11.5
Beverage Inventory				
Amount Per Room	$ 114	$ 207	$ 76	$ 103
Annual Turnover	6.0	6.3	6.5	5.1
Operating Supplies Inventory				
Amount Per Room	$ 651	$ 893	$ 663	$ 554

*All figures are medians.

Exhibit III-17
Statement of Income and Expenses—Median Amounts Per Available Room*
North America

	Total Region	Canada	United States	Caribbean
Rooms				
Sales	$12,694	$10,202	$13,849	$16,230
Departmental Expenses				
Payroll & Related Expenses	2,157	2,019	2,419	1,575
Other	1,203	851	1,232	2,353
Total	3,419	2,753	3,610	3,743
Departmental Income	9,067	7,234	10,505	10,083
Food & Beverage				
Sales				
Food	5,450	4,943	6,035	4,168
Beverage	2,483	3,561	2,343	1,393
Total	8,197	9,125	8,347	5,789
Cost of Sales				
Food	1,970	1,943	2,026	1,847
Beverage	596	1,134	513	431
Total	2,617	3,052	2,607	2,152
Gross Profit	5,727	5,947	5,851	3,514
Public Room Sales	199	234	189	65
Other Income	105	144	87	126
Gross Profit & Other Income	6,052	6,343	6,391	3,578
Departmental Expenses				
Payroll & Related Expenses	3,483	3,675	3,585	1,957
Other	1,051	1,131	1,015	1,068
Total	4,579	4,863	4,857	3,140
Departmental Income	1,080	1,093	1,164	572
Telephone Departmental Income	(154)	(135)	(158)	(136)
Net Income From Minor Operated Departments	35	38	34	70
Rentals & Other Income	355	292	351	487
Gross Income	10,723	9,402	12,752	6,983
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,121	991	1,188	1,005
Other	1,074	895	1,152	1,321
Total	2,270	1,950	2,329	2,247
Marketing	1,184	907	1,276	663
Energy Costs	1,072	767	1,211	1,386
Property Operation & Maintenance	1,364	1,194	1,411	1,597
Total Undistributed Expenses	5,820	4,853	6,075	6,394
Income Before Management Fees	4,564	4,358	5,674	1,993
Management Fees	703	585	867	276
Income Before Fixed Charges	4,015	3,778	5,586	1,761
Property Taxes and Insurance	741	1,145	699	277
Income Before Interest and Depreciation	$2,175	$2,250	$2,695	$ 913

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-18
Ratio to Total Sales*
North America

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Canada	United States	Caribbean
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	17.6	19.6	17.6	14.6
Other	9.2	8.7	8.8	14.6
Total	27.7	28.4	26.7	28.9
Departmental Income	72.3	71.6	73.3	71.1
Ratio to Total Sales	41.2	37.2	42.1	43.4
Food & Beverage				
Sales				
Food	70.9	60.0	72.1	73.5
Beverage	29.1	40.0	27.9	26.5
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	35.1	36.3	32.8	40.0
Beverage	25.4	30.7	21.7	28.3
Total	32.3	34.3	30.0	37.1
Gross Profit	67.7	65.7	70.0	62.9
Public Room Sales	2.4	3.3	2.3	.9
Other Income	1.1	1.4	1.0	2.4
Gross Profit & Other Income	71.4	70.0	74.0	64.2
Departmental Expenses				
Payroll & Related Expenses	42.2	43.0	43.6	36.3
Other	11.8	11.6	11.1	16.2
Total	54.5	54.2	56.3	49.3
Departmental Income	15.1	14.3	16.9	11.7
Ratio to Total Sales	5.2	5.9	5.9	3.0
Telephone Departmental Profit	(.7)	(.9)	(.7)	(.5)
Net Income From Minor Operated Departments	.2	.3	.1	.2
Rentals & Other Income	1.5	1.4	1.5	1.9
Gross Income	47.1	44.9	51.1	34.9
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	4.8	4.5	4.8	4.9
Other	4.2	4.0	4.2	5.1
Total	9.1	8.9	9.1	10.5
Marketing	4.7	4.3	4.9	3.8
Energy Costs	4.8	3.8	5.0	5.5
Property Operation & Maintenance	5.7	5.9	5.5	7.7
Total Undistributed Expenses	25.2	23.2	25.9	28.0
Income Before Management Fees	21.0	21.4	23.8	9.6
Management Fees	3.0	3.0	3.0	1.7
Income Before Fixed Charges	18.6	21.1	21.7	8.3
Property Taxes and Insurance	3.1	5.4	2.9	1.1
Income Before Interest and Depreciation	9.5	10.9	11.8	4.5

*All figures are medians and do not necessarily add to totals shown.

Region IV
Europe

Profile of contributors

The financial and statistical analysis of the European contributors to this study is included in this section. The European subregions are Continental Europe, Scandinavia and the United Kingdom. The typical contributor from Europe is identified and defined in Exhibit IV-1, and the highlights of the analysis of operating results are shown in Exhibit IV-2.

While room occupancy declined slightly in 1982, total revenue declined 6.4 percent per room in European properties. The unfavorable currency exchange rates that were discussed in the introduction to this report were a major factor in this decline in total revenue. However, profit margins for the hotels in this region were very good as income before income taxes rose 15.6 percent per room.

For the first time, this year's regional analysis includes a presentation of source and distribution of the lodging dollar, market data and the nationality of guests staying at European hotels. As shown in Chart 5, European hotels derived 52.1 percent of revenue from room sales. Revenue generated by the various departments was consistent with other regions presented in this study. The distribution of expenses by the reporting European hotels also was consistent with other regions.

Exhibit IV-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
Europe

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	Under 150 rooms
Occupancy	60%–69%
Average Rate	$35.00 to $44.99 (U.S.)
Sales Volume	$4 million to $6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is over 100% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1982

Exhibit IV-2
Highlights*
Europe

- Total revenue decreased 6.4 percent on a per room basis.
- Room occupancy declined slightly from 65.9% to 65.4% in 1982.
- The average daily rate per occupied room was $39.52, a decline of 8.9 percent from 1981.
- Payroll and related expenses per room dropped 10.8 percent from $7,610 to $6,785 in 1982.
- Income before income taxes rose 15.6 percent on a per room basis.

*Based on medians.

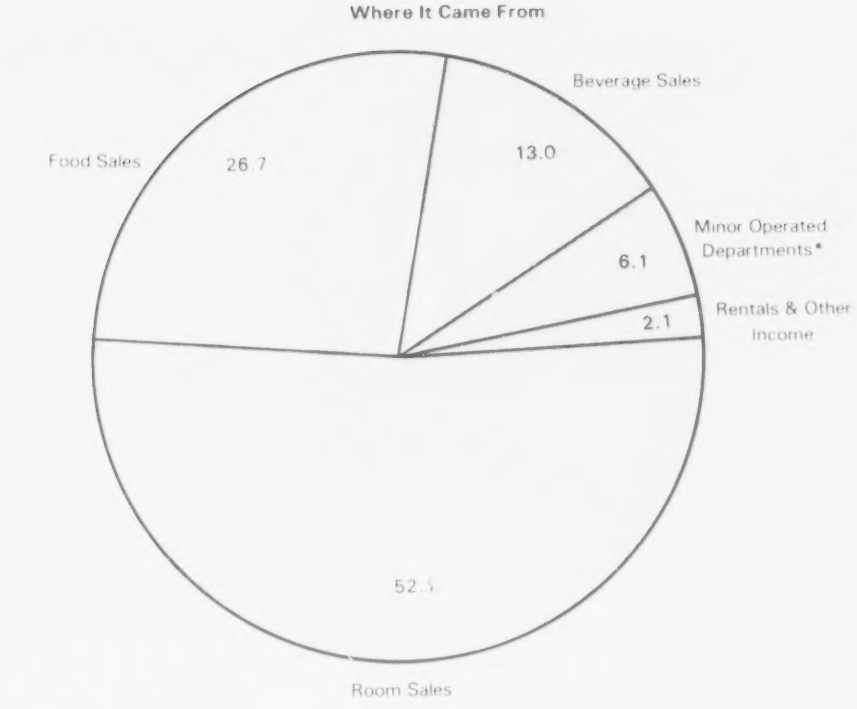
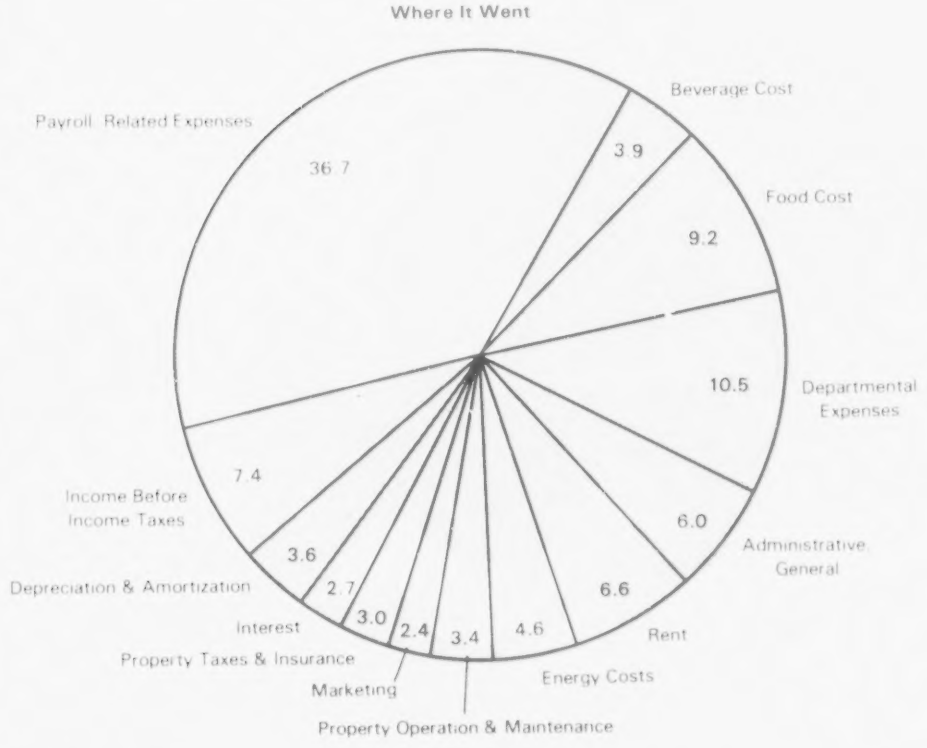


Chart 5: Europe
Percentage Distribution of Revenue and Expenses



*Including telephone

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The percentages of guests from foreign sources was the dominant factor for hotels in each of the three areas analyzed in Europe. Scandinavian properties reported the highest level of guests from foreign sources (74.5 percent), while hotels in the U.K. reported the lowest (51.5 percent), or almost equal with that of domestic guests. The composition of the market showed marked consistency throughout each of the subregions, with each area reporting that businessmen were the largest segment of their market followed by tourists and conference participants. Direct reservations were also the preferred method of advance reservations at hotels in each of these areas. The full presentation of market data is shown in Exhibit IV-3.

Exhibit IV-4 presents the nationality of guests at European hotels in 1982. As in 1981, the British represented the largest segment of European travelers, but an examination by subregions revealed that the dominant source reported by hotels in any area were the people who reside closest to that area.

Performance measurements

A comparison of sales and profitability is shown in Exhibit IV-5 for properties in Region IV. Properties in each of the subregions reported a decline in total sales per available room. However, hotels in Scandinavia recorded a 19.4 percent increase in income before fixed charges, and properties in Continental Europe and the U.K. reported only a very modest decline in this measure. When net income before taxes is analyzed per available room, hotels in both Scandinavia and the U.K. reported increases over 1981 results, and there was only a slight decline in hotels in Continental Europe.

The relative increase or stability in these income measures shown by properties in the three subregions indicates that the decline in total sales was probably more a function of decreased currency values rather than significant decreases in demand.

While 1982 was a difficult year for most of the lodging industry, the European segment of this industry displayed surprising health last year. As shown in

Exhibit IV-3
Market Data*

	Total Region	Continental Europe	Scandinavia	United Kingdom
Source of Business				
Domestic	38.9%	37.1%	25.5%	48.5%
Foreign	61.1	62.9	74.5	51.5%
Percentage of Repeat Business	39.5%	36.3%	47.8%	43.0%
Composition of Market				
Government Officials	3.4%	4.1%	4.5%	1.9%
Businessmen	49.1	47.1	55.6	51.0
Tourists	23.7	25.3	21.5	21.3
Conference Participants	13.0	13.0	14.8	12.7
Other	10.8	10.5	3.6	13.1
Percentage of Advance Reservations	87.0%	84.3%	93.0%	89.6%
Composition of Advance Reservations				
Direct	41.3%	40.0%	48.3%	41.2%
Reservation Systems	27.6	27.0	21.1	31.0
Travel Agents & Tour Operators	26.5	27.8	24.0	25.0
Other	4.6	5.2	6.6	2.8
Ratio of Travel Agent Commissions to Room Sales	1.3%	1.1%	2.4%	1.4%

*Arithmetic mean

the ratios of income before fixed charges to total sales and to room sales, profit margins, which are not affected by currency fluctuations, increased sharply for properties located in Scandinavia and moderately for those in the U.K. Only properties in Continental Europe experienced declines in profit margins. However, properties on the European continent reported that the number of times the average rate was earned remained stable while both their European counterparts had sizeable gains in this measure.

Exhibit IV-4
Nationality of Guests--1982*
All Hotels

	Rank		Total Region	Continental Europe	Scandinavia	United Kingdom
	1982	1981				
British	1	1	23.9%	9.9%	3.8%	54.8%
German	2	2	16.2	27.6	4.1	3.1
Scandinavian	3	4	15.0	5.0	77.2	3.2
American	4	3	12.6	13.7	4.8	14.3
Other European	5	5	9.5	14.3	4.1	4.8
French	6	6	5.6	8.0	1.5	3.7
Italian	7	7	3.4	4.9	.9	2.1
Middle Eastern	8	8	3.2	3.3	.7	4.3
Japanese	9	9	2.7	3.7	.9	2.0
Other Asian	10	11	1.5	1.8	.2	1.4
Canadian	11	10	1.4	1.4	.5	1.8
South American	12	12	1.2	1.7	.1	.9
Australasian	13	15	1.0	.9	.5	1.4
Other African	14	13	1.0	1.3	.3	.8
North African	15	14	.9	1.0	.1	1.0
Central American	16	16	.6	.9	.1	.2
Mexican	17	17	.3	.6	.2	.2

*Arithmetic mean

Exhibit IV-5
Comparison of Sales and Profitability*
Europe

	Total Region		Continental Europe		Scandinavia		United Kingdom	
	1982	1981	1982	1981	1982	1981	1982	1981
Amounts Per Available Room								
Total Sales	$19,593	$20,932	$20,186	$22,542	$19,800	$20,184	$19,118	$20,178
Income Before Fixed Charges	4,432	4,612	4,271	4,840	4,788	4,011	4,310	4,418
Net Income** or (Loss)	$ 1,798	$ 1,556	$ 1,007	$ 1,049	$ 2,211	$ 903	$ 2,055	$ 1,967
Ratio of Income Before Fixed Charges								
Room Sales	47.4%	44.6%	41.5%	44.5%	55.2%	43.8%	49.8%	44.8%
Total Sales	23.1	22.1	21.7	22.6	25.4	24.2	23.4	21.7
Number of Times Average Rate Was Earned	118	106	106	106	141	103	120	106
Increase (Decrease)	11.3%				36.9%		13.2%	

*All figures are medians
**Before income tax

As Exhibit IV-6 shows, properties in Continental Europe reported an increase in the occupancy rate over 1981 results. Therefore, the decline in profit margins of the Continental European properties, mentioned earlier, was primarily the result of increases in costs and expenditures rather than a decrease in demand. In contrast to the increase in occupancies reported by hotels in Continental Europe, those located in both Scandinavia and the U.K. reported declines in occupancy.

In properties in each of the subregions there was a decline in the average room rate in 1982. For the properties in the region, the percentage decline in room rates far exceeded the percentage decline in total revenue per available room. In addition, income before fixed charges and before income taxes remained stable. Therefore, it is likely that the room rate declines were a function of reduced currency values.

Analysis of Sales

Properties located in Continental Europe derived a larger percentage of revenue from room sales than those in both Scandinavia and the United Kingdom, as shown in Exhibit IV-7. However, contributing properties in Scandinavia derived a greater portion of their total revenue from food and beverage sales. In fact, for those properties, combined food and beverage sales contributed more to total revenue than room sales.

Exhibit IV-6
Occupancy, Double Occupancy, Room Rates*
Europe

	Total Region		Continental Europe		Scandinavia		United Kingdom	
	1982	1981	1982	1981	1982	1981	1982	1981
Annual Room Occupancy	65.4%	65.9%	69.8%	69.0%	67.6%	72.1%	62.4%	62.7%
Number of Guests Per Room	1.33	1.34	1.36	1.35	1.30	1.31	1.33	1.32
Average Daily Rate								
Per Room (U.S. Dollars)	$39.52	$43.36	$43.97	$49.88	$34.43	$39.07	$37.14	$41.65
Per Guest (U.S. Dollars)	30.44	32.18	35.73	40.16	28.53	30.40	27.83	29.77

*All figures are medians

Exhibit IV-7
Composition of Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Rooms	50.4%	51.9%	45.5%	49.9%
Food	28.7	27.2	30.9	29.5
Beverage	14.3	12.4	17.7	15.2
Telephone	3.5	4.8	3.0	2.7
Minor Operated Departments	1.3	1.3	2.3	1.2
Rentals & Other Income	1.8	2.4	.6	1.5
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean

Exhibit IV-8 presents a full analysis of revenue and expenses for minor operated departments on the basis of amounts per available room and ratio to sales. The results of this analysis are strikingly similar to those reported in last year's report. Properties in both Continental Europe and Scandinavia succeeded in earning healthy profits in the telephone department, while that department reported a loss in properties in the U.K. For Scandinavian properties, net income generated by the telephone department increased more than 127 percent compared with 1981.

Sales per available room from minor operated departments were up considerably for U.K. properties. However, costs and expenses in this department also showed a considerable increase. Properties in Continental Europe received substantially more from rentals and other income.

Exhibit IV-8
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Telephone				
Amount Per Available Room				
Sales	$588	$1,004	$542	$426
Cost of Sales				
Cost of Calls	367	518	238	301
Equipment Rental	86	62	53	100
Total	423	572	317	366
Payroll & Related Expenses	170	161	165	174
All Other Expenses	10	10	12	11
Total Cost & Expenses	557	749	283	512
Net Departmental Income or (Loss)	$ 82	$ 163	$384	$(41)
Ratio to Total Sales				
Sales	3.2%	4.6%	2.7%	2.3%
Cost of Sales	2.3	2.9	1.6	2.1
Payroll & Related Expenses	8	7	7	9
Minor Operated Departments				
Amount Per Available Room				
Sales	$318	$ 279	$239	$365
Cost of Sales	151	114	135	244
Payroll & Related Expenses	149	112	149	176
Other Expenses	30	29	249	14
Total Costs & Expenses	244	224	272	255
Net Departmental Income	$ 82	$ 87	$ 9	$117
Ratio to Total Sales				
Sales	1.6%	1.3%	9%	2.1%
Cost of Sales	6	5	6	1.1
Payroll & Related Expenses	6	5	7	6
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 80	$ 86	$121	$ 54
Concessions	60	55	76	67
Commissions	37	13	77	91
Other	131	169	39	107
Total Rentals & Other Income	$247	$ 320	$158	$184
Ratio to Total Sales	1.2%	1.6%	6%	1.0%

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Exhibit IV-9 shows food and beverage sales per available room and per seat by facility along with information about average check and number of persons served. There was little variation among the subregions covered in this section. Properties in the U.K. generated more food and beverage sales per seat and also a slightly higher average check than those in the other two areas. However, in the Scandinavian properties total beverage sales were considerably higher by facility, in relation to food sales and amount per room, than their European counterparts.

Exhibit IV-9
Food and Beverage Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Food Sales — By Facility				
Amount Per Available Room				
Dining Room	$3,540	$3,505	$4,294	$3,479
Room Service	577	647	415	477
Banquet	1,233	1,307	1,412	1,183
Bar/Lounge	107	99	150	119
Total	$5,239	$5,025	$5,108	$5,433
Ratio to Total Food Sales				
Dining Room	67.2%	63.8%	66.3%	68.0%
Room Service	10.1	11.5	7.4	9.4
Banquet	22.8	24.6	23.5	21.0
Bar/Lounge	1.6%	1.5%	2.4%	1.9%
Amount Per Seat				
Dining Room	$5,026	$5,026	$4,880	$5,081
Banquet	768	782	697	642
Bar/Lounge	256	309	123	107
Total	$1,959	$1,902	$1,791	$2,003
Average Check				
Dining Room	$ 7.81	$ 7.64	$ 4.81	$ 8.00
Room Service	5.21	5.59	5.65	4.01
Banquet	9.93	9.66	10.46	10.20
Total	$ 7.73	$ 7.72	$ 7.02	$ 7.76
Covers Served Per Seat				
Dining Room	614	610	511	677
Banquet	79	79	117	77

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-9 (continued)
Food and Beverage Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Room Service Sales				
Per Occupied Room				
Food	$ 2.37	$ 2.41	$ 1.55	$ 2.35
Beverage	60	56	69	60
Total	$ 2.92	$ 2.95	$ 2.56	$ 2.80
Per Guest				
Food	$ 1.81	$ 1.94	$ .72	$ 1.73
Beverage	47	45	65	46
Total	$ 2.32	$ 2.44	$ 1.57	$ 2.22
Beverage Sales — By Facility				
Amount Per Available Room				
Dining Room	$ 828	$ 891	$1.179	$ 697
Room Service	149	148	200	135
Banquet	591	500	645	625
Bar/Lounge	1.130	934	1.336	1.184
Total	$2.805	$2.451	$3.236	$2.887
Ratio to Total Beverage Sales				
Dining Room	28.7%	31.4%	46.1%	24.4%
Room Service	6.0	7.4	4.6	5.8
Banquet	21.6	22.1	17.8	21.6
Bar/Lounge	42.5%	37.6%	41.9%	46.5%
Ratio to Food Sales				
Dining Room	22.0%	25.0%	30.6%	18.1%
Room Service	27.9	25.4	34.0	28.7
Banquet	49.4	47.0	51.0	52.5
Total (Including Bar/Lounge)	50.0%	47.4%	72.0%	51.4%
Amount Per Seat				
Dining Room	$1.275	$1.358	$ 964	$ 883
Banquet	363	324	370	424
Bar/Lounge	3.076	3.290	3.538	2.248
Total	$1.015	$1.024	$ 866	$1.036

*All figures are medians and do not necessarily add to totals shown.

Payroll and related expenses

Net payroll and related expenses per room were higher at properties in Continental Europe than at those in either of the other two subregions, as shown in Exhibit IV-10. However, in the Scandinavian properties cost per employee was slightly higher than in hotels in Continental Europe and much higher than in U.K. properties. With the highest cost per employee in Region IV, it is not surprising that Scandinavian properties operated with the fewest number of full-time equivalent employees per 100 available rooms, and the highest total sales per employee. The productivity index (total sales divided by net payroll and related expenses) dropped 11 percent for properties in the U.K. because of increases in staff from 78.4 full-time equivalent employees per 100 available rooms in 1981 to 88.5 in 1982.

Exhibit IV-10
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 5,194	$ 5,551	$ 5,554	$ 4,752
Net Payroll & Related Expenses**	6,785	7,892	7,068	6,173
Employee Benefits				
Ratio to Cash Payroll	25.0%	37.4%	25.0%	25.0%
Cost Per Employee				
Cash Payroll	$ 8,977	$10,120	$ 9,962	$ 6,697
Net Payroll & Related Expenses**	11,563	13,238	13,247	8,809
Employment Statistics				
Sales Per Employee				
Rooms	$48,467	$50,412	$51,163	$44,239
Food & Beverage	25,826	28,004	27,638	23,037
Telephone	59,859	78,653	55,010	40,892
Minor Departments	27,320	33,905	7,720	35,041
Total Sales Per Employee	$30,210	$31,488	$34,720	$26,656
Productivity Index				
1982	2.79	2.64	2.81	2.59
1981	2.75	2.63	2.73	2.91
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	23.7	23.8	15.5	27.6
Food & Beverage	36.8	35.5	34.0	42.0
Telephone	1.7	1.6	.8	2.2
Minor Departments	1.2	1.2	1.3	1.9
Administrative & General	6.9	7.5	3.0	7.5
Marketing—Sales	1.2	1.2	.9	1.1
Marketing—Other	.4	.5	.4	.5
Property Operation & Maintenance	3.3	3.6	1.2	3.3
Personnel	1.0	1.0	.4	1.2
House Laundry	3.7	3.7	3.0	4.0
Other	.6	1.4	0	.6
Total	76.1	79.1	55.7	88.5

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.

Undistributed operating expenses

Exhibit IV-11 presents an analysis of the undistributed operating expenses of hotels in Europe on three bases: cost per available room, ratio to room sales and ratio to total sales. In relation to total sales, administrative and general expenses declined in 1982 for each of the three areas in Region IV. This decline is partially due to the exclusion of management fees from administrative and general expenses in this year's report. These costs are included as part of the statement of income and expenses in Exhibits IV-17 and IV-18. Marketing expenses, in relation to total sales, showed the most variability, ranging from a 86.4 percent increase for Scandinavian properties to a 22.2 percent decline for U.K. properties.

Exhibit IV-11
Analysis of Undistributed Operating Expenses*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$ 953	$1,019	$ 624	$ 952
Other	717	741	613	714
Total	$1,686	$1,810	$1,207	$1,648
Ratio to:				
Room Sales	18.2%	17.2%	13.0%	20.0%
Total Sales — 1982	9.0	8.6	6.4	9.4
Total Sales — 1981	10.7	10.3	6.7	12.9
Increase (Decrease)	(15.9)%	(16.5)%	(4.4)%	(27.1)%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 178	$ 236	$ 219	$ 123
Other	420	516	658	204
Total	$ 558	$ 721	$ 776	$ 263
Ratio to:				
Room Sales	5.0%	6.2%	8.4%	3.0%
Total Sales — 1982	2.4	3.5	4.1	1.4
Total Sales — 1981	2.5	3.5	2.2	1.8
Increase (Decrease)	(4.0)%	—	86.4%	(22.2)%
Energy Costs				
Cost Per Available Room	$ 917	$1,067	$ 666	$ 856
Ratio to:				
Room Sales	10.0%	9.7%	7.7%	10.1%
Total Sales — 1982	4.7	5.0	3.5	4.7
Total Sales — 1981	4.4	4.5	3.9	4.4
Increase (Decrease)	6.8%	11.1%	(10.3)%	6.8%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 395	$ 465	$ 260	$ 337
Other	611	649	559	600
Total	$ 942	$1,080	$ 678	$ 880
Ratio to:				
Room Sales	10.3%	10.8%	7.7%	10.2%
Total Sales — 1982	5.1	5.8	3.0	4.7
Total Sales — 1981	5.1	5.7	4.3	4.9
Increase (Decrease)		1.8%	(30.2)%	(4.1)%

*All figures are medians and do not necessarily add to totals shown.

Net energy costs per occupied room per day, presented in Exhibit IV-12, showed little change from the 1981 data for all three subregions. These stable energy costs reflected the declining energy prices that existed in 1982.

Credit and collection data

Travelers to Continental Europe and Scandinavia prefer to pay for hotel services with cash, while visitors to U.K. hotels prefer to pay with credit cards, as shown in Exhibit IV-13. Travel agents and tour operators were responsible for 13.3 percent of payments to U.K. hotels in 1982, 49 percent higher than in 1981.

The ratio for credit card commissions to total sales and the annual cost per occupied room is presented in Exhibit IV-14.

Exhibit IV-12
Energy Costs Per Occupied Room Per Day*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Fuel	$1.59	$1.20	$1.31	$1.83
Electricity	1.87	2.06	.92	1.90
Water	.36	.58	.37	.28
Steam	1.24	1.51	.27	1.19
Credit for Sale of Energy	(.19)	(.25)	(.05)	(.02)
Net Energy Cost — 1982	$4.03	$4.16	$2.88	$4.21
Net Energy Cost — 1981	$4.15	$4.34	$2.90	$4.14
Increase (Decrease)	(2.9)%	(4.1)%	(0.1)%	1.7%

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-13
Method of Payment for Hotel Services*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Cash	33.1%	35.7%	37.3%	27.8%
Credit Card	30.9	28.8	29.8	34.7
Travel Agents & Tour Operators	15.1	16.1	15.4	13.3
All Other Credit	20.9%	19.4%	17.5%	24.2%

*Based on arithmetic mean.

Exhibit IV-14
Credit Card Commission
Annual Cost Per Occupied Room*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Annual Cost Per Occupied Room	$2.06	$3.13	$3.43	$2.04
Ratio to Total Sales	.4	1.0	1.1	.4

*All figures are medians.

Fixed charges

Fixed charges, which include rent, property taxes, insurance on building and contents, interest and depreciation, are shown in Exhibit IV-15. Total fixed charges per available room showed increases in Continental Europe and Scandinavia, but decreases for reporting properties from the U.K.

Balance sheet statistics

The more significant balance sheet ratios, those used to measure the extent to which a company can cover current obligations, are listed in Exhibit IV-16. Liquidity remained relatively stable in 1982 for European hotels providing this information. However, both food and beverage inventories showed modest to large increases over last year's results for hotels in all three subregions.

Exhibits IV-17 and IV-18 show the statements of income and expenses both per available room and as ratios to total sales for the European sample. This year's report includes management fees as a separate line item in these exhibits.

Exhibit IV-15
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Amount Per Room				
Rent	$ 753	$1,687	$2,068	$ 323
Property Taxes	612	123	189	751
Insurance on Buildings & Contents	90	111	72	85
Interest Expense	439	397	247	2,294
Depreciation & Amortization	659	822	464	640
Total Fixed Charges	$2,311	$3,006	$2,655	$1,857
Ratio to Total Sales—1982	11.5%	14.1%	13.0%	10.3%
Ratio to Total Sales—1981	10.4	15.7	15.9	8.1
Increase (Decrease)	10.6%	(10.2)%	(18.2)%	27.2%

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-16
Balance Sheet Statistics—Liquidity Ratios*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Current Position				
Ratio of Current Assets to Current Liabilities	$ .99	$ .95	$1.35	$ .98
Accounts Receivable				
Amount Per Room	$1,525	$1,296	$ 731	$1,844
Ratio to Total Sales	6.9%	5.7%	3.8%	8.1%
Food Inventory				
Amount Per Room	$ 82	$ 86	$ 105	$ 66
Annual Turnover	25.8	23.2	19.1	38.4
Beverage Inventory				
Amount Per Room	$ 179	$ 191	$ 197	$ 146
Annual Turnover	7.7	7.2	6.4	8.0
Operating Supplies Inventory				
Amount Per Room	$ 436	$ 542	$ 663	$ 440

*All figures are medians.

Exhibit IV-17
Statement of Income and Expenses--Median Amounts Per Available Room*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Rooms				
Sales	$9,271	$10,761	$7,752	$8,097
Departmental Expenses				
Payroll & Related Expenses	1,919	2,072	1,971	1,765
Other	794	1,010	653	720
Total	2,697	2,998	2,699	2,403
Departmental Income	6,447	7,267	5,226	5,892
Food & Beverage				
Sales				
Food	5,239	5,025	5,108	5,433
Beverage	2,805	2,451	3,236	2,887
Total	8,114	7,277	8,062	8,508
Cost of Sales				
Food	1,874	1,771	1,767	1,990
Beverage	816	533	743	1,155
Total	2,789	2,287	2,392	3,097
Gross Profit	5,379	5,276	5,608	5,270
Public Room Sales	209	152	158	270
Other Income	86	134	119	42
Gross Profit & Other Income	5,626	5,513	6,553	5,610
Departmental Expenses				
Payroll & Related Expenses	3,230	3,524	4,188	2,934
Other	601	704	941	512
Total	3,860	4,385	5,155	3,428
Departmental Income	1,688	1,303	1,542	2,006
Telephone Departmental Income	82	163	384	(41)
Net Income From Minor Operated Departments	82	87	9	117
Rentals & Other Income	247	320	158	184
Gross Income	8,911	9,088	7,725	8,920
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	953	1,019	624	952
Other	717	741	613	714
Total	1,686	1,810	1,207	1,648
Marketing	658	721	776	263
Energy Costs	917	1,067	666	856
Property Operation & Maintenance	942	1,080	678	880
Total Undistributed Expenses	4,272	5,022	3,021	3,808
Income Before Management Fees	4,673	4,516	4,788	4,667
Management Fees	842	636	860	985
Income Before Fixed Charges	4,432	4,271	4,788	4,310
Property Taxes and Insurance	702	235	261	836
Income Before Interest and Depreciation	$2,881	$3,190	$3,243	$2,908

*All figures are medians of the corresponding data items.

Exhibit IV-18
Ratio to Total Sales*
Europe

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Continental Europe	Scandinavia	United Kingdom
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	21.2	20.8	22.6	21.1
Other	9.0	9.2	9.7	8.7
Total	30.6	31.1	31.4	29.8
Departmental Income	69.4	68.9	68.6	70.2
Ratio to Total Sales	33.9	35.4	30.3	32.6
Food & Beverage				
Sales				
Food	66.7	67.9	58.2	66.4
Beverage	33.3	32.2	41.8	33.9
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	34.7	33.8	38.1	34.6
Beverage	29.1	21.0	23.7	41.3
Total	33.9	29.5	32.3	36.9
Gross Profit	66.1	70.5	67.7	63.1
Public Room Sales	2.7	2.1	1.6	3.5
Other Income	1.0	1.5	1.3	.7
Gross Profit & Other Income	70.1	73.3	73.8	66.8
Departmental Expenses				
Payroll & Related Expenses	41.7	46.2	51.5	35.7
Other	7.5	9.2	10.7	6.5
Total	50.1	54.7	61.3	42.3
Departmental Income	21.5	19.4	16.9	24.2
Ratio to Total Sales	8.5	7.0	7.7	11.3
Telephone Departmental Profit	.5	.9	2.0	1.3
Net Income From Minor Operated Departments	.4	.4	.1	.6
Rentals & Other Income	1.2	1.6	.6	1.0
Gross Income	46.0	47.4	43.0	45.9
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	5.0	5.0	3.4	5.0
Other	4.5	3.4	3.0	4.1
Total	9.0	8.7	6.4	9.4
Marketing	2.4	3.5	4.1	1.4
Energy Costs	4.7	5.0	3.5	4.7
Property Operation & Maintenance	5.1	5.8	3.0	4.7
Total Undistributed Expenses	21.6	23.0	14.2	21.2
Income Before Management Fees	25.0	22.9	28.2	25.6
Management Fees	4.5	4.4	4.0	4.9
Income Before Fixed Charges	23.1	21.7	25.4	23.3
Property Taxes & Insurance	3.7	3.4	1.2	4.5
Income Before Interest and Depreciation	15.8	13.4	16.5	14.8

*All figures are medians and do not necessarily add to totals shown.

Region V
Latin America

Profile of contributors

Analysis of data and information for Latin America is presented in Section V. Due to increased participation from this region, the analysis was expanded to include information for the subregions of Mexico and Central and South America. Next year, we expect to provide information separately for Central America and South America if the response is sufficient. Medians are shown for most amounts and ratios, while the arithmetic means are used in selected schedules.

The typical contributor from Latin America is identified and defined in Exhibit V-1, based on the various measures of central tendency. Highlights of the analysis of operating results are shown in Exhibit V-2. With occupancy rates falling for both areas in this region and total revenue dropping nearly 30 percent, it is not surprising that in the properties reporting from this region, income before income taxes fell 64.7 percent per room.

As in the other regional analyses, the analysis of Latin America has been expanded this year to include the source and distribution of the dollar, market data and the nationality of guests to that region. Chart 6 shows the source and distribution of the Latin American dollar. Revenue generated from food sales, at 23.6 percent, was the lowest of any of the reporting regions. However, the distribution of the revenue to cover costs and expenses was very consistent with other areas reported in this study.

Exhibit V-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
Latin America

Exhibit V-2
Highlights*
Latin America

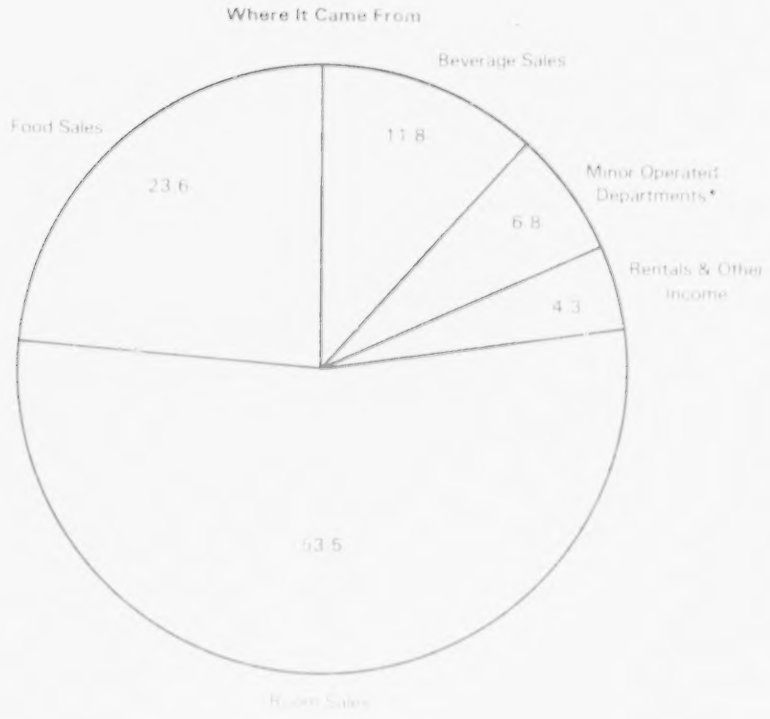

Chart 6: Latin America
Percentage Distribution of Revenue and Expenses

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The percentage of guests from foreign sources was higher for reporting Mexican properties, while the percentage of guests from domestic sources was higher for Central and South American properties, as shown in Exhibit V-3. The Mexican properties experienced a much lower percentage of repeat business than their Latin American counterparts. Devalued Mexican currency made that country a popular place for tourists in 1982, as the contributing hotels from that area reported that more than 50 percent of their market was made up of tourists. Most of these tourists arranged their trips through travel agents and tour operators, who were responsible for 43.6 percent of the advance reservations to Mexican properties.

Exhibit V-4 shows the nationality of guests by subregion. With travel to Mexico at its most economical level in years, it is not surprising that their neighbors in North America represented almost 40 percent of visitors to hotels in that country during 1982.

Performance measurements

Exhibit V-5 compares total sales and income for hotels in Latin America. In 1982, total sales per available room declined more than 30 percent for Region V, from $27,692 in 1981 to $19,217 in 1982. Since participation in last year's study was not sufficient to show the detail of subregional sales and

Exhibit V-3
Market Data*

	Total Region	Mexico	Central and South America
Source of Business			
Domestic	53.2%	47.0%	53.6%
Foreign	46.8	53.0%	46.4
Percentage of Repeat Business	41.8%	31.9%	49.6%
Composition of Market			
Government Officials	5.8%	4.6%	6.9%
Businessmen	43.4	27.6	58.3
Tourists	35.3	50.9	20.4
Conference Participants	10.9	13.8	8.2
Other	4.6	3.1	6.2
Percentage of Advance Reservations	73.0%	68.6%	76.4%
Composition of Advance Reservations			
Direct	32.5%	20.6%	43.2%
Reservation Systems	34.2	31.8	36.3
Travel Agents & Tour Operators	28.3	43.6	16.5
Other	4.0	4.0	4.0
Ratio of Travel Agent Commissions to Rev	7.3%	7.5%	7.2%

*Arithmetic mean

income numbers in this region, determination of subregional trends is impossible. However, since the drop in total sales was so large and in both subregions sales were at levels far below the total regional numbers for 1981, it is likely that both areas had a disappointing year in 1982. This is particularly true for Mexican properties as the median net income before income taxes was only $17.3 per available room.

The ratios of income before fixed charges to room sales and to total sales, and the number of times the average rate was earned are also shown in Exhibit V-5. Properties in this region experienced a decline in these measures in 1982. Again, subregional comparisons to last year are impossible.

Exhibit V-4
Nationality of Guests—1982*
All Hotels

	Rank		Total Region	Mexico	Central and South America
	1982	1981			
American	1	2	29.3%	38.8%	20.8%
South American	2	1	25.9	5	48.7
Mexican	3	11	25.2	51.3	1.8
Canadian	4	8	5.0	5.6	4.5
Central American	5	5	3.7	2	6.8
Other European	6	4	2.9	6	4.9
German	7	6	1.9	7	2.9
French	8	7	1.5	6	2.3
British	9	3	1.1	4	1.7
Italian	10	10	1.0	2	1.6
Japanese	11	12	9	6	1.2
Scandinavian	12	9	4	2	5
Middle Eastern	13	13	4	1	6
Other African	14	17	3	0	6
Other Asian	15	14	3	1	5
North African	16	15	1	0	3
Australasian	17	16	1	1	1

*Arithmetic mean

Exhibit V-5
Comparison of Sales and Profitability*
Latin America

	Total Region		Mexico		Central and South America	
	1982	1981	1982	1981	1982	1981
Amounts Per Available Room:						
Total Sales	$19,217	$27,692	$11,482	NA	$23,193	NA
Income Before Fixed Charges	4,122	7,771	4,027	NA	3,865	NA
Net Income** or (Loss)	$ 1,019	$ 2,883	$ 173	NA	$ 1,331	NA
Ratio of Income Before Fixed Charges:						
Room Sales	46.7%	48.3%	50.5%	NA	40.9%	NA
Total Sales	25.4	28.1	26.4	NA	22.1%	NA
Number of Times Average Rate Was Earned	1.06	1.16	1.23	NA	.98	NA
Increase (Decrease)	(21.1)%					

*All figures are medians.
**Before income tax.
NA-Not Available.

Occupancy and average rate

The median 1982 occupancy for Mexican properties reporting was 76.8 percent, considerably higher than the contributing Central and South American properties, as shown in Exhibit V-6. In addition, in Mexican hotels the number of guests per room was 1.86, again higher than their Latin American counterparts. The high number of guests per room is understandable based on the high percentage of tourists traveling to those hotels. Central and South American properties reported much higher room rates than their Mexican counterparts.

Analysis of sales

The composition of sales for Region V is illustrated in Exhibit V-7. In Mexican properties, 57.6 percent of

Exhibit V-6
Occupancy, Double Occupancy and Room Rates*

	Total Region		Mexico		Central and South America	
	1982	1981	1982	1981	1982	1981
Annual Room Occupancy	72.0%	74.2%	76.8%	NA	66.1%	NA
Number of Guests Per Room	1.41	1.34	1.86	NA	1.30	NA
Average Daily Rate						
Per Room (U.S. Dollars)	$42.64	$60.11	$26.47	NA	$59.67	NA
Per Guest (U.S. Dollars)	30.89	43.03	17.82	NA	41.56	NA

*All figures are medians
NA - Not Available

Exhibit V-7
Composition of Sales*
Latin America

	Total Region	Mexico	Central and South America
Rooms	54.4%	50.4%	57.6%
Food	22.4	24.0	21.2
Beverage	13.0	16.4	11.0
Telephone	3.5	2.2	4.5
Minor Operated Departments	2.8	2.2	2.8
Rentals & Other Income	4.2	5.8	2.9
Total	100.0%	100.0%	100.0%

*Based on arithmetic mean

total revenue was generated by room sales while in Central and South American properties about half of the revenue was generated by the rooms department. Central and South American properties were able to generate a larger percentage of their revenue from the food and beverage department than were the Mexican properties.

Exhibit V-8 displays revenue and expenses for minor operated departments per available room and in relation to total sales. Mexican properties had more income from the telephone department and from rentals and other income, while Central and South American properties generated more income from minor operated departments.

Exhibit V-8
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Latin America

	Total Region	Mexico	Central and South America
Telephone			
Amount Per Available Room			
Sales	$462	$994	$284
Cost of Sales			
Cost of Calls	401	581	229
Equipment Rental	17	19	15
Total	347	590	147
Payroll & Related Expenses	119	139	82
All Other Expenses	8	7	9
Total Cost & Expenses	475	764	261
Net Departmental Income or (Loss)	$ 4	$ (4)	$ 22
Ratio to Total Sales			
Sales	3.0%	4.5%	1.7%
Cost of Sales	2.1	3.7	1.5
Payroll & Related Expenses	7	7	6
Minor Operated Departments			
Amount Per Available Room			
Sales	$362	$528	$191
Cost of Sales	105	122	78
Payroll & Related Expenses	135	132	167
Other Expenses	30	30	57
Total Costs & Expenses	257	304	101
Net Departmental Income	$119	$185	$ 97
Ratio to Total Sales			
Sales	2.1%	2.3%	1.3%
Cost of Sales	6	6	4
Payroll & Related Expenses	6	6	7
Rentals & Other Income			
Amount Per Available Room			
Space Rentals	$157	$257	$ 56
Concessions	44	46	26
Commissions	11	81	6
Other	309	225	758
Total Rentals & Other Income	$681	$576	$814
Ratio to Total Sales	3.5%	2.4%	5.1%

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Exhibit V-9 shows the food and beverage statistics for those hotels providing the detail. Food sales per available room and per seat by restaurant are presented together with the average sale per customer (average check) and the number of persons served (covers) per seat. Surprisingly, little difference was evident between the two subregions covered.

Exhibit V-9
Food and Beverage Statistics*
Latin America

	Total Region	Mexico	Central and South America
Food Sales — By Facility			
Amount Per Available Room			
Dining Room	$2,385	$2,201	$2,910
Room Service	337	241	510
Banquet	887	459	1,092
Bar/Lounge	58	71	52
Total	$3,566	$2,519	$4,693
Ratio to Total Sales			
Dining Room	63.6%	78.1%	60.5%
Room Service	9.0	5.9	10.6
Banquet	23.6	15.2	26.6
Bar/Lounge	1.5%	2.1%	1.4%
Amount Per Seat			
Dining Room	$1,615	$1,550	$1,679
Banquet	332	215	356
Bar/Lounge	69	55	77
Total	$ 678	$ 759	$ 678
Average Check			
Dining Room	$ 3.73	$ 3.77	$ 3.67
Room Service	2.57	3.16	2.07
Banquet	5.12	5.59	4.91
Total	$ 4.40	$ 4.67	$ 3.71
Covers Served Per Seat			
Dining Room	421	452	386
Banquet	57	46	64

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-9 (continued)
Food and Beverage Statistics*
Latin America

	Total Region	Mexico	Central and South America
Room Service Sales			
Per Occupied Room			
Food	$ 1.45	$ .96	$ 2.20
Beverage	.36	.24	.60
Total	$ 1.69	$ 1.15	$ 2.83
Per Guest			
Food	$ .99	$ .56	$ 1.70
Beverage	.19	.15	.59
Total	$ 1.20	$ .65	$ 2.40
Beverage Sales — By Facility			
Amount Per Available Room			
Dining Room	$ 718	$ 582	$ 738
Room Service	86	53	162
Banquet	355	231	385
Bar/Lounge	1,156	1,534	933
Total	$2,223	$2,161	$2,285
Ratio to Total Beverage Sales			
Dining Room	30.9%	29.4%	31.7%
Room Service	4.4	3.4	4.6
Banquet	16.9	11.3	22.7
Bar/Lounge	47.1	52.3	44.2
Ratio to Food Sales			
Dining Room	26.3%	25.0%	27.5%
Room Service	28.8	30.5	28.8
Banquet	42.7	43.7	41.2
Total (including Bar/Lounge)	58.0%	61.9%	55.4%
Amount Per Seat			
Dining Room	$ 429	$ 280	$ 523
Banquet	132	77	150
Bar/Lounge	1,080	484	1,202
Total	$ 320	$ 356	$ 305

*All figures are medians and do not necessarily add to totals shown.

Payroll and related expenses

Information about payroll, employee benefits and employment statistics for properties in Latin America is shown in Exhibit V-10. Net payroll and related expenses were higher for properties in Central and South America and as a result it could be expected that the productivity index (total sales divided by net payroll and related expenses) would be lower for these hotels.

Undistributed operating expenses

Cost per available room, ratio to room sales and ratio to total sales are presented for the undistributed operating expenses for Latin American properties. Percentage variances are shown together with the median ratios to total sales for each expense in 1982. Trying to capitalize on the rise in foreign travelers to Mexico in 1982, the reporting Mexican properties spent considerably more on marketing

Exhibit V-10
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
Latin America

	Total Region	Mexico	Central and South America
Payroll & Related Expenses			
Amount Per Room			
Cash Payroll	$ 3,210	$ 3,380	$ 3,037
Net Payroll & Related Expenses**	4,857	7,069	4,339
Employee Benefits — Ratio to Cash Payroll			
Cost Per Employee			
Cash Payroll	$ 2,399	$ 2,737	$ 2,319
Net Payroll & Related Expenses**	4,092	5,179	3,181
Employment Statistics			
Sales Per Employee			
Rooms	$27,110	$40,826	$16,321
Food & Beverage	10,054	12,173	9,651
Telephone	21,482	30,471	6,707
Minor Departments	14,018	15,142	7,417
Total Sales Per Employee	$14,024	$18,024	$11,126
Productivity Index			
1982	3.23	2.97	3.61
1981	3.16	NA	NA
Number of Full-Time Equivalent Employees Per 100 Available Rooms			
Rooms	11.1	9.9	11.6
Food & Beverage	54.1	54.4	49.1
Telephone	2.6	2.2	2.6
Minor Departments	7.0	6.7	7.1
Administrative & General	13.5	13.1	13.5
Marketing — Sales	3.6	4.1	3.6
Marketing — Other	1.1	1.1	1.1
Property Operation & Maintenance	10.8	11.3	11.0
Personnel	2.6	2.6	2.6
House Laundry	4.3	4.4	4.3
Other	.9	.9	.9
Total	115.9	113.6	121.3

*Based on those supplying data. All figures are medians and are rounded to the nearest $10 or 1/10 of one percent.
**After credit for service charges.
NA-Not Available

expenditures, in relation to total sales, than properties in Central and South America. The full details for these expenses are presented in Exhibit V-11. Management fees are not included in administrative and general expenses in this report. Rather, they are treated as a separate line item in Exhibits V-17 and V-18.

Exhibit V-11
Analysis of Undistributed Operating Expenses*
Latin America

	Total Region	Mexico	Central and South America
Administrative & General			
Cost Per Available Room			
Payroll & Related Expenses	$ 927	$ 802	$1.128
Other	1.073	876	1.084
Total	$2.005	$1.716	$2.553
Ratio to:			
Room Sales	21.5%	22.5%	20.7%
Total Sales — 1982	11.1	12.2	10.5
Total Sales — 1981	10.7	NA	NA
Increase (Decrease)	3.7%		
Marketing			
Cost Per Available Room			
Payroll & Related Expenses	$ 169	$ 124	$ 184
Other	763	876	684
Total	$1.007	$1.048	$ 800
Ratio to:			
Room Sales	10.3%	14.0%	7.9%
Total Sales — 1982	4.8	7.1	3.9
Total Sales — 1981	3.4	NA	NA
Increase (Decrease)	41.2%		
Energy Costs			
Cost Per Available Room	$ 656	$ 705	$ 594
Ratio to:			
Room Sales	6.7%	8.0%	7.8%
Total Sales — 1982	3.2	4.1	4.0
Total Sales — 1981	2.8	NA	NA
Increase (Decrease)	15.8%		
Property Operation & Maintenance			
Cost Per Available Room			
Payroll & Related Expenses	$ 527	$ 446	$ 565
Other	571	506	578
Total	$1.167	$ 939	$1.212
Ratio to:			
Room Sales	12.0%	10.6%	11.6%
Total Sales — 1982	5.5	7.1	5.5
Total Sales — 1981	5.3	NA	NA
Increase (Decrease)	20.3%		

*All figures are medians and do not necessarily add to totals shown.
NA - Not Available

Exhibit V-12
Energy Costs Per Occupied Room Per Day*
Latin America

	Total Region	Mexico	Central and South America
Fuel	$ 34	$ 29	$ 59
Electricity	1.61	1.03	2.97
Water	48	35	54
Steam	06	19	01
Credit for Sale of Energy	(.07)	(.02)	(.08)
Net Energy Cost — 1982	$2.84	$1.86	$3.95
Net Energy Cost — 1981	$3.97	NA	NA
Increase (Decrease)	(28.5)%		

*All figures are medians and do not necessarily add to totals shown.
NA - Not Available

Exhibit V-13
Method of Payment for Hotel Services*
Latin America

	Total Region	Mexico	Central and South America
Cash	31.9%	31.6%	32.2%
Credit Card	35.2	37.6	32.9
Travel Agents & Tour Operators	15.9	23.9	8.4
All Other Credit	17.0	6.9	26.5

*Figures are medians.

In 1982, energy costs per occupied room per day fell more than 28 percent from 1981 levels, as shown in Exhibit V-12. This is a complete reversal from last year's study, in which we showed a significant increase in energy costs for hotels in this region.

Credit and collection data

The method of payment for hotel services and credit card usage are shown in Exhibits V-13 and V-14. Credit cards were the most common method of payment for hotel services in 1982 for both subregions in this analysis. This is particularly true of the reporting Mexican properties that experienced a large percentage of American guests.

Fixed charges

A comparison per available room and the ratios to total sales of fixed charges, which include rent, property taxes, insurance of buildings and contents, interest and depreciation, are shown in Exhibit V-15. Higher depreciation and amortization costs for Central and South American properties was the only segment of fixed charges that showed a significant difference between the two subregions.

Balance sheet statistics

The typical liquidity ratios, those used to measure the extent to which a company can cover current obligations, are listed in Exhibit V-16. In Central and South American properties the annual turnovers of both food and beverage inventories were higher. This result is not surprising, since the food and beverage department in these hotels contributed more to total income than did the same department in Mexican properties.

The statement of income and expenses for Region V is presented in Exhibits V-17 and V-18.

Exhibit V-14
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Latin America

	Total Region	Mexico	Central and South America
Amount Per Room			
Rent	$1,726	$1,733	$1,725
Property Taxes	483	168	667
Insurance on Buildings & Contents	155	109	170
Interest Expense	419	603	342
Depreciation & Amortization	344	293	1,025
Total Fixed Charges	$2,587	$2,097	$2,760
Ratio to Total Sales—1982	17.8%	20.8%	15.0%
Ratio to Total Sales—1981	16.1%	NA	NA
Increase (Decrease)	10.6%		

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-15
Credit Card Commission
Annual Cost Per Occupied Room*
Latin America

	Total Region	Mexico	Central and South America
Annual Cost Per Occupied Room	$316	$285	$452
Ratio to Total Sales	1.2%	1.2%	1.2%

*All figures are medians.

Exhibit V-16
Balance Sheet Statistics—Liquidity Ratios*
Latin America

	Total Region	Mexico	Central and South America
Current Position:			
Ratio of Current Assets to Current Liabilities	$ 1.22	$ .97	$ 1.33
Accounts Receivable:			
Amount Per Room	$1,022	$984	$1,269
Ratio to Total Sales	7.1%	6.9%	7.2%
Food Inventory:			
Amount Per Room	$ 84	$ 81	$ 121
Annual Turnover	17.4	13.4	18.2
Beverage Inventory:			
Amount Per Room	$ 117	$ 89	$ 148
Annual Turnover	3.4	2.6	3.6
Operating Supplies Inventory:			
Amount Per Room	$ 511	$375	$1,366

*All figures are medians.

Exhibit V-17
Statement of Income and Expenses—Median Amounts Per Available Room*
Latin America

	Total Region	Mexico	Central and South America
Rooms			
Sales	$10,064	$5,727	$12,353
Departmental Expenses			
Payroll & Related Expenses	1,240	927	1,641
Other	742	703	821
Total	1,969	1,568	2,331
Departmental Income	7,955	4,708	9,506
Food & Beverage			
Sales			
Food	3,566	2,519	4,693
Beverage	2,223	2,161	2,285
Total	6,261	5,784	6,960
Cost of Sales			
Food	1,244	829	1,495
Beverage	399	397	400
Total	1,628	1,391	1,808
Gross Profit	4,565	4,126	5,150
Public Room Sales	98	155	96
Other Income	174	340	151
Gross Profit & Other Income	4,774	4,486	5,192
Departmental Expenses			
Payroll & Related Expenses	2,015	1,764	2,647
Other	943	769	954
Total	3,089	2,533	3,946
Departmental Income	1,372	1,819	859
Telephone Departmental Income	4	(4)	22
Net Income From Minor Operated Departments	119	185	97
Rentals & Other Income	681	576	814
Gross Income	9,233	7,094	11,614
Undistributed Operating Expenses			
Administrative & General			
Payroll & Related Expenses	927	802	1,128
Other	1,073	876	1,084
Total	2,005	1,716	2,553
Marketing	1,007	1,048	800
Energy Costs	656	305	894
Property Operation & Maintenance	1,157	939	1,212
Total Undistributed Expenses	4,840	4,079	5,970
Income Before Management Fees	4,189	4,027	4,865
Management Fees	313	359	313
Income Before Fixed Charges	4,122	4,027	4,865
Property Taxes & Insurance	637	277	837
Income Before Interest and Depreciation	$ 1,881	$ 596	$ 1,911

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-18
Ratio to Total Sales*
Latin America

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Region Total	Mexico	Central and South America
Rooms			
Sales	100.0%	100.0%	100.0%
Departmental Expenses			
Payroll & Related Expenses	13.8	13.8	13.9
Other	8.6	10.6	6.5
Total	22.6	26.5	20.6
Departmental Income	77.4	73.5	79.4
Ratio to Total Sales	39.4	38.6	42.4
Food & Beverage			
Sales			
Food	63.3	61.8	64.4
Beverage	36.7	38.2	35.7
Total	100.0	100.0	100.0
Cost of Sales			
Food	33.8	33.2	34.3
Beverage	20.3	19.1	21.9
Total	29.0	28.3	29.9
Gross Profit	71.0	71.7	70.1
Public Room Sales	1.6	2.3	1.4
Other Income	3.1	7.6	2.4
Gross Profit & Other Income	75.8	78.6	74.0
Departmental Expenses			
Payroll & Related Expenses	35.9	29.4	41.3
Other	15.1	14.7	15.7
Total	54.0	42.8	56.5
Departmental Income	24.6	32.3	17.0
Ratio to Total Sales	8.7	11.7	5.7
Telephone Departmental Profit	0	.2	0
Net Income From Minor Operted Depa.tments	.7	.6	.9
Rentals & Other Income	3.5	5.1	2.4
Gross Income	53.6	57.9	50.9
Undistributed Operating Expenses			
Administrative & General			
Payroll & Related Expenses	5.1	5.0	5.2
Other	5.6	7.2	5.1
Total	11.1	12.2	10.5
Marketing	4.8	7.1	3.9
Energy Costs	3.2	2.7	4.0
Property Operation & Maintenance	6.5	7.7	6.5
Total Undistributed Expenses	27.5	30.2	25.6
Income Before Management Fees	26.1	26.5	26.1
Management Fees	2.4	2.6	2.4
Income Before Fixed Charges	25.4	26.4	22.9
Property Taxes & Insurance	2.7	1.7	3.1
Income Before Interest & Depreciation	10.8	6.7	11.1

*All figures are medians and do not necessarily add to totals shown.

Appendix 1

Currency Conversion Tables
1982 vs. 1981 Percentage of Change

Region I
Africa and Middle East 1982–1981

Country	1982 Factor [$US/(x)]	1981 Factor [$US/(x)]	Percentage of Change
Bahrain	2.65960	2.65960	0%
C.F.A.*	0.00300	0.00348	(13.8)%
Egypt	1.42860	1.42860	0%
Ethiopia	0.48310	0.48310	0%
Gambia	0.40360	0.47700	(15.4)%
Ghana	0.36360	0.36360	0%
Iran	0.01200	0.01260	4.8%
Israel	0.03280	0.07080	(53.7)%
Jordan	2.84500	2.94980	(3.6)%
Kenya	0.08990	0.09827	(8.5)%
Kuwait	3.46380	3.55350	(2.5)%
Lebanon	0.20080	0.21750	(7.7)%
Lesotho	0.93140	0.93140	0%
Liberia	0.94130	1.00000	(5.9)%
Libya	3.37780	3.37780	0%
Madagascar	0.00260	0.00348	(25.3)%
Mauritius	0.09210	0.09210	0%
Morocco	0.15960	0.18750	(14.9)%
Nigeria	1.49200	1.54180	(3.2)%
Oman	2.89520	2.89520	0%
Qutar	0.27470	0.27470	0%
Rwanda	0.01080	0.01080	0%
Saudi Arabia	0.29110	0.29280	(0.6)%
Seychelles	0.14730	0.16230	(9.2)%
Sierra Leone	0.77720	0.85160	(8.7)%
South Africa	0.93140	1.04540	(10.9)%
Sudan	0.76920	1.11000	(30.7)%
Syrian Arab Rep.	0.25480	0.25480	0%
Tanzania	0.10320	0.12020	(14.1)%
Tunisia	1.54000	1.93900	(20.6)%
United Arab Emr.	0.27240	0.27240	0%
Zaire	0.16820	0.18490	(9.0)%
Zambia	0.92970	1.19520	(22.2)%
Zimbabwe	1.08760	1.29950	(0.2)%

Source: *International Financial Statistics*, December 1982, December 1981.
*United Republic of Cameroon, Central African Republic, People's Republic of the Congo, Republic of the Ivory Coast, Republic of Niger and Republic of Senegal.

Region II
Asia and Australasia 1982–1981

Country	1982 Factor [$US/(x)]	1981 Factor [$US/(x)]	Percentage of Change
Australia	0.98060	1.12790	(13.1)%
Bangladesh	0.04150	0.05040	(17.6)%
China	0.02550	0.57290	(95.5)%
Figi	1.05560	1.14060	(7.5)%
Hong Kong	0.15360	0.17640	(12.9)%
India	0.10380	0.10990	(5.5)%
Indonesia	0.00150	0.00160	(6.3)%
Japan	0.00360	0.00477	(24.5)%
Korea	0.00130	0.00143	(9.1)%
Malaysia	0.42430	0.44600	(4.9)%
Nepal	0.07580	0.07580	0%
New Zealand	0.70900	0.82440	(13.5)%
Pakistan	0.07789	0.10100	(22.9)%
Phillippines	0.11320	0.12330	(8.2)%
Singapore	0.45250	0.48830	(7.3)%
Sri Lanka	0.04790	0.04866	(1.6)%
Thailand	0.04350	0.04350	0%
Vanuatu	0.01090	0.01087	(0.3)%

Source: *International Financial Statistics*, December 1982, December 1981

Region III
North America 1982–1981

Country	1982 Factor [$US/(x)]	1981 Factor [$US/(x)]	Percentage of Change
Bahamas	1.00000	1.00000	0%
Barbados	0.49720	0.49720	0%
Belize	0.45400	0.45400	0%
Canada	0.81340	0.84320	(3.5)%
Dominican Rep.	1.00000	1.00000	0%
East Carribean	0.33910	0.33910	0%
Haiti	0.20000	0.20000	0%
Jamaica	0.56140	0.56140	0%
Netherland Ants.	0.55560	0.55560	0%
Trinidad & Tobago	0.41670	0.41670	0%
United States	1.00000	1.00000	0%

Source: *International Financial Statistics*, December 1982, December 1981

Region IV
Europe 1982–1981

Country	1982 Factor [$US/(x)]	1981 Factor [$US/(x)]	Percentage of Change
Austria	0.05990	0.06290	(4.8)%
Belgium	0.02130	0.02600	(18.1)%
Cyprus	2.04850	2.31150	(11.4)%
Denmark	0.11930	0.13650	(12.6)%
Finland	0.18900	0.22950	(17.6)%
France	0.14860	0.17400	(14.6)%
Germany	0.42070	0.44350	(5.1)%
Greece	0.01370	0.01730	(20.8)%
Iceland	0.06020	0.12230	(50.8)%
Italy	0.00070	0.00083	(15.7)%
Luxembourg	0.02010	0.02600	(22.7)%
Malta	2.40710	2.58230	(6.8)%
Netherlands	0.35900	0.40510	(11.4)%
Norway	0.13800	0.17220	(19.9)%
Portugal	0.01100	0.01530	(28.1)%
Spain	0.00850	0.01026	(17.1)%
Sweden	0.13450	0.17950	(25.1)%
Switzerland	0.45140	0.55680	(18.9)%
Turkey	0.00570	0.00818	(30.3)%

Source: *International Financial Statistics*, December 1982, December 1981.

Region V
Latin America 1982–1981

Country	1982 Factor [$US/(x)]	1981 Factor [$US/(x)]	Percentage of Change
Brazil	0.00340	0.00782	(56.5)%
Colombia	0.01420	0.01690	(15.9)%
Costa Rica	0.02480	0.02480	0%
Ecuador	0.03010	0.04000	(24.8)%
El Salvador	0.37650	0.40000	(5.9)%
Guatemala	1.00000	1.00000	0%
Mexico	0.01430	0.03813	(62.5)%
Nicaragua	0.09950	0.09950	0%
Peru	0.00130	0.00197	(34.0)%
Suriname	0.56020	0.56020	0%
Venezuela	0.23300	0.23300	0%

Source: *International Financial Statistics*, December 1982, December 1981.

Appendix 2
Explanation of Terms and Bases Used

The accounting information has been accumulated using the 7th revised edition of the *Uniform System of Accounts for Hotels*, approved by the American Hotel & Motel Association, as a basis. The following paragraphs define the terms used in this study.

Room Sales
This category includes revenue from guest accommodations rented on a part-day, full-day, or longer period basis. The figures are net of any sales or turnover taxes and service charges paid to employees.

Revenue from public rooms ordinarily used for food and beverage service is not included in room sales.

Food Sales
This category includes revenue derived from the sale of food in restaurants, through room service or at banquets. Sales do not include meals charged by hotel management staff.

Beverage Sales
This category includes revenue from the sale of wine, spirits, liqueurs, juices, beers, ale, porter, mineral waters and soft drinks. Sales do not include beverages charged by hotel management staff.

Minor Operated Department Sales
This category includes revenue derived from telephone, laundry and valet services. It also includes income from casino operations, pool club memberships and other departments operated.

Other Income
This category includes profit on foreign exchange, concession income and other income such as commissions from auto rentals, garage, parking lots and salvage.

Store Rentals
This category includes all income from rental of stores and showcases.

Cost of Food Sales
This category includes the cost of food served to guests, together with transportation and delivery charges, at gross invoice price less trade discounts. The cost of employees' meals is charged to the appropriate department and does not constitute a part of the cost of food sold.

Cost of Beverage Sales
This category represents the cost of wines, spirits, liqueurs, juices, beers, ale, porter, mineral waters and soft drinks and all other material served as beverages, or used in the preparation of mixed drinks, at gross invoice price less trade discounts, plus import duties, transportation and delivery charges. The cost of employees' beverages is charged to the appropriate department and does not constitute a part of the cost of beverages sold.

Cost of Minor Operated Department Sales
This category represents the cost of telephone, laundry and valet sales and any other minor operated department sales.

Rooms Payroll
This category includes salaries and wages of personnel of the rooms department (front office, doormen and porters).

Also included are the employee benefits such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions.

Food and Beverage Payroll
This category includes salaries and wages of personnel in the food and beverage department (purchasing, receiving, storage, preparation, service, dish-

washing, cashiers, and control). Also included are all employee benefits, such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions.

Minor Operated Department Payroll

This category includes salaries and wages of personnel in all minor operated departments, including telephone, guest laundry, valet, casino and pool. Also included are all employee benefits such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions. House laundry and employee cafeteria payrolls are not included as they have been allocated to the various departments and are included in other expenses.

Other Expenses

The term "other expenses" can cause confusion. At first sight, it is a loose term—for example, the expression "wages and other expenses" could be interpreted as "wages and all additional expenses incurred in operating a facility." However, its meaning is precise and refers to direct departmental expenses incurred in the operation of a department or service (rooms department, sales office).

Rooms, Other Expenses

This category represents expenses other than rooms payrolls as defined above, such as rooms cleaning supplies, guest supplies, laundry, linen, reservation expenses, paper supplies and travel agents' commissions.

Food and Beverage, Other Expenses

This category includes items such as china and glassware, cleaning supplies, decorations, guest supplies, laundry, linen, music and entertainment, menus and beverage lists, silver and uniforms.

Minor Operated Departments, Other Expenses

This category includes items such as telephone equipment rental, laundry supplies, casino uniforms, casino entertainment and pool supplies.

Undistributed Operating Expenses

This classification is used for (1) administrative and general expense, (2) marketing expense, (3) energy costs, and (4) property operation and maintenance expense. Each of these can be considered as an individual entity. Some examples of the expenses included are:

- Administrative and general other expense includes cash overages or shortages, commissions on credit cards, collection charges, executive office expense, general insurance, postal, legal expense, trade association dues, traveling expenses, accountants and consultants fees.
- Marketing other expense includes advertising in all media and applicable travel expenses and supplies.
- Energy costs include the cost of electrical power, fuel, steam and water.
- Property operation and maintenance includes the cost of repairing buildings, electrical and mechanical equipment and fixtures, floor coverings, furniture, grounds and landscaping plus the cost of electric bulbs, mechanical supplies and removal of waste matter.

Income Before Fixed Charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated department income, store rentals and other income, less all undistributed expenses.

There are thus three levels of profit in the study. The first level is departmental profit (rooms, food and beverage, minor operated); the second is gross income (the sum of departmental profits plus store rentals and other income); the third is income before fixed charges (gross income less undistributed operating expenses).

Room Statistics

The published number of rooms for rental in a hotel usually differs from the actual number of rooms available—only the rooms permanently available to the public are used in computing ratios.

The number of rooms available in a period (usually a year) is the number permanently available multiplied by the days in the period.

The number of rooms occupied is the sum for the period of rooms rented to guests daily.

The number of guests is the sum of the daily house counts for a period.

Rate of Occupancy

The rate of occupancy is derived from the room statistics above. The average annual room occupancy is the ratio of total occupied rooms to total available rooms.

Average double occupancy is represented by total number of guests divided by total number of rooms occupied. This result can be expressed either on a guests per room basis, or as a percentage. Thus,

$$\frac{\text{total number of guests}}{\text{total occupied rooms}} = \frac{75}{50} = 1.50$$

This can be expressed as a double occupancy of 50 percent, or as 1.5 guests per occupied room.

Average Rate

There are two quantities widely used to express rooms sales on a unit basis—average room rate and the average rate per guest.

The average room rate is defined as room sales divided by the total number of rooms occupied.

The average rate per guest is defined as room sales divided by the total number of guests.

Number of Times Average Room Rate Was Earned

This measurement of operating efficiency is calculated by dividing income before fixed charges (house profit) per available room by the average room rate.

Food and Beverage Department

The ratios in the restaurant department are based on total food and beverage sales. The single exception is cost of sales. Cost of food sold is expressed as a percentage of food sales. Similarly, the cost of beverages sold is expressed as a percentage of beverage sales.

Current Ratio

The current ratio is defined as current assets, divided by current liabilities. The current portion of long-term debt has been excluded from current liabilities.

Inventory Ratios

Inventory figures taken from the balance sheet have been directly related to operations.

Average inventory is the sum of opening and closing inventories divided by two.

The turnover ratios represent cost of sales divided by average inventory.

Accounts Receivable Ratio

Average accounts receivable is the sum of opening and closing accounts receivable divided by two.

The turnover ratio represents sales divided by average accounts receivable.

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Chicago, Illinois 60606
300 South Riverside Plaza
(312) 648-0555

Springfield, Illinois 62701
Marriott Commerce Building
509 South 6th Street
(217) 544-8955

Boston, Massachusetts 02108
Two Center Plaza
(617) 742-6300
Telex: 940099 LAV HOR BSN

Detroit, Michigan
26400 Lahser Road, Suite 200
Southfield, Michigan 48034
(313) 354-6088

Minneapolis, Minnesota 55401
300 Washington Square
Suite 1650
(612) 332-3500

Kansas City, Missouri 64105
1100 CharterBank Center
920 Main Street
(816) 221-6500

St. Louis, Missouri 63102
Two Broadway, Suite 450
(314) 421-1710

Las Vegas, Nevada 89109
Valley Bank Center
7th Floor
301 Convention Center Drive
(702) 737-5533

East Brunswick, New Jersey 08816
Turnpike Plaza Building
397 Highway 18
(201) 257-6881

Melville, New York 11747
445 Broadhollow Road
(516) 694-0580

New York, New York 10022
919 Third Avenue
(212) 980-1300
Telex: 236503 LNH UR

Charlotte, North Carolina 28280
One NCNB Plaza, Suite 28280
(704) 377-0220

Cleveland, Ohio 44114
National City Center
1900 East 9th Street
(216) 696-4770

Columbus, Ohio 43215
88 East Broad Street
(614) 221-9494

Niles, Ohio 44446
1981 North Main Street
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Portland, Oregon 97204
1850 Georgia Pacific Building
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Philadelphia, Pennsylvania 19103
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Telex: 83-1396 HORWINTAS PHA

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1701 Banco Popular Center
Hato Rey, Puerto Rico 00918
G.P.O. Box 70180
San Juan, Puerto Rico 00936
(809) 765-5580

Providence, Rhode Island 02903
40 Westminster Street
(401) 421-4800

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Suite 1700
(214) 754-7300

Houston, Texas 77002
1111 Clay Street, Suite 1101
(713) 658-1071

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